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WORLD TRADE ORGANIZATION, WTO

4 USDA- USTR

5 JOINT REGIONAL LISTENING SESSION

ON AGRICULTURE

6

7 June 16, 1999

Agricenter International

8 Memphis, Tennessee

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1 APPEARANCES

2 THE PANEL:

3 MR. EARL MANNING, MODERATOR

Progressive Farmer, Editor

4 MR. DAN WHEELER, COMMISSIONER

Tennessee Department of Ag

5 MR. AUGUST "GUS" SCHUMACHER,

USDA Undersecretary of Ag

6 MR. ROBERT CUMMINGS, USTR

Agriculture Affairs

7 MS. AMY WINTON,

State Department

8

9 PRESENTERS: MR. PAUL HOUGHLAND, JR.,

REPRESENTING: Nat'l Hardwood Lumber Assoc.

10 MR. R. SCOTT MILLER,

Proctor & Gamble

11 MR. PARK SWELLS,

Tennessee Soybean Assoc.

12 MR. GREG POMPELLI,

University of TN, Inst. of Ag

13 MR. ALLEN HELMS,

National Cotton Council

14 MR. MIKE CALLICRATE,

Fayette Co. Cattlemen's Assoc.

15 MR. MIKE BRUNDAGE,

Tennessee Farm Bureau Fed

16 MR. WILLIE GERMAN,

Tennessee Farm Bureau Fed

17 MR. JACKIETHERIOT,

Louisiana Farm Bureau Fed

18 MR. GARY C. MARTIN,

Farmland Industries

19 MR. RODNEY BAKER,

Arkansas Farm Bureau

20 MR. PAT SULLIVAN,

Self

21 MR. NOLENCANON,

USRiceProducers
22MR.HARRYFULTON,
MississippiBeekeepers
23MR.CHARLESWYRICK,
DairyFarmersofAmerica
24MR.KENNETHHOOD
MississippiFarmBureauFed
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PRESENTERS:

2REPRESENTING:

MR.ROBERTGOOD,

3TysonFoods

MR.MONTYBOHANON,

4RicelandFoods

MR.BRUCEFRIEDMAN,

5SouthernStatesForwarding

MR.JERRYLEEBOGARD

6RiceFarmer/Stuttgart,AR

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REPORTEDBY:MS.CATHYA.HASTINGS,CCR
23CourtReporter

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1MR.HANES:Goodmorning,it'sa
2pleasuretoseeyouherethismorning.Myname
3isJoeHanes.I'mwiththeTennesseeDepartment
4ofAgricultureandwe'repleasedtobeableto
5co-hostthissessionalongwithUSDAtheForeign
6AgricultureServiceandtheU.S.Trade
7Representative'soffice.Ithinkyouwillbe
8hearingmoreabouttoday'sactivitiesinjusta
9fewmoments.
10It'smypleasurethismorningtointroduce
11theCommissioneroftheTennesseeDepartmentof
12agriculture,DanWheeler.Mr.Wheelerhasbeen
13thecommissionerofourdepartmentfor
14approximatelysixyearsnow.
15HeisanativeofCumberlandCounty,
16Tennessee,wherehegrewuponalivestockfarm.
17Hecompleteda30-yearcareerwiththeTennessee
18FarmBureauFederationendingthatcareerasthe
19chiefadministrativeofficerofthat
20organization.We'requiteproudthatin
21TennesseewehavethelargestFarmBureau

22 Federation in the United States. So Mr. Wheeler?

23 MR. WHEELER: Thank you, gentlemen,

24 very much. I would like to add my welcome for

25 all of us who are here with us this morning. It

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1 is my privilege on behalf of the State of
2 Tennessee and Governor Don Sundquist. I also
3 want to welcome you on behalf of the Tennessee
4 Department of Agriculture and also our co-hosts
5 for this event, the USDA and the U.S. Trade
6 Representative's Office.
7 I'm particularly pleased to have
8 Undersecretary Gus Schumacher here with us this
9 morning. Gus is a personal friend of mine and
10 all of us who are involved in the State
11 Department of Agriculture around the country,
12 having served as Secretary of Agriculture for the
13 State of Massachusetts.
14 Gus has been with us before in Tennessee.
15 The last time he was here he spoke to our
16 Governor's conference in agriculture and forestry
17 in Nashville. While he was there he went down
18 and bought a guitar--banjo.
19 I think he tried to get on the Grand Ol'
20 Opry. He didn't quite make that but he did buy a
21 guitar. I think he also bought a pair of western

22bootsandhat,buthedidn'ttellusaboutthat.

23Hekeptthatunderhishat.

24So,Gus,I'massumingthatwhileyou're

25hereinMemphisyou'llgodowntoBealeStreet

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1 and buy a trumpet or a trombone and participate
2 in some of the music culture here in Memphis as
3 we'll be glad for you to do.

4 But Gus is a-- Gus is a great fellow. He
5 comes from the State of Massachusetts but he has
6 a great understanding of U.S. agriculture whether
7 it be the Mid-South or Midwest or northeast, or
8 whatever. He serves U.S. agriculture in a very,
9 very fine way. We're glad to have you here with
10 us this morning.

11 I think it's appropriate that we're meeting
12 here in Memphis for several reasons. Memphis has
13 long been recognized as a center of commerce and
14 particularly of agriculture commerce. I'm told
15 that Memphis is the second largest inland port in
16 the country, providing access to markets across
17 the globe for billions of dollars worth of farm
18 and forest products each year.

19 Agriculture is one of Tennessee's core
20 industries, if not the core industry, generating
21 about two and a half billion dollars in cash

22receiptsatthefarmlevelandmorethanthree

23billiondollarsinrawandprocessedagricultural

24forestproductsenterexportmarketsfrom

25Tennesseeeveryyearoutpacingallother

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1 commodities including chemicals, transportation,
2 equipment and electronics. That's a fact that is
3 not really well-known nor recognized in the
4 general population and others in commerce as
5 well.

6 Agriculture has a tremendous impact on not
7 only the economy of our state and this region but
8 the quality of life and welfare of our whole
9 region.

10 All across the nation agriculture has been
11 undergoing tremendous changes, certainly all of
12 you know, and Tennessee is no exception. Exactly
13 what the future holds for us is not totally
14 clear, but we know that the continued growth of
15 U.S. Agriculture exports will be paramount to the
16 health of our economy of our respective states
17 and certainly our nation as a whole as we enter
18 into the next century.

19 The importance of U.S. agriculture exports
20 underscores the significance of today's meeting.
21 I want to applaud the work that the USDA and the

22OfficeoftheU.S.TradeRepresentativeworkthat

23they'redoingpreparingfortheupcomingWorld

24TradeOrganizationMinisterialConferencein

25Seattlewhichis,ofcourse,whatthislistening

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1 session is all about today.

2 Today's session, one of twelve scheduled

3 across the country, will no doubt be important in

4 bringing much needed attention to key agriculture

5 issues to be discussed in Seattle. Our ability

6 to maintain and expand markets in a fair trade

7 environment will determine to a larger extent the

8 future of agriculture in our country.

9 You know, all of us have said, I think

10 rightly so, that given a level playing field that

11 American farmers can compete with any farmers

12 anywhere in the world.

13 World agriculture and forestry products

14 continue to be inherently strong despite

15 economic problems that thwart that demand. With

16 the promise of the upcoming trade negotiations

17 holds for advancing in market access and removing

18 the trade barriers, American agriculture stands

19 on the cusp, so to speak, of an even greater

20 economic opportunity.

21 I think it's almost impossible to imagine

22that25yearsagothattheexportboomofthe
231970'scouldhavebeenmatchedmuchless
24succeededbytheleveloftradethatweenjoy
25today.

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1 During the 60's and 70's value and products

2 account for one third of all U.S. Ag exports.

3 Today value added products represent more than

4 half the total value of U.S. agriculture exports

5 which represents a tremendous change in the kind

6 of stuff that we're sending abroad.

7 After more than 60 years of supply and

8 management programs in agriculture, American

9 farmers are transitioning to a more market

10 oriented system under the provisions of the last

11 farm bill.

12 Some say, and I agree, that upside profit

13 potential should improve under those conditions

14 but the downside risk also increases and

15 competitive forces will also demand greater

16 efficiency and innovation on the farm and better

17 access to the expanding markets around the world.

18 As agriculture and market forces which

19 drive agriculture change, we have to change with

20 those forces and we have tried to do that herein

21 Tennessee. We're reworking with farmers, agra

22business leaders, our federal partners in

23research and education institutions to help build

24greater economic opportunity both domestically

25and internationally.

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1 We have dedicated significantly more
2 resources for us in our department to support
3 programs to focus exclusively on building foreign
4 markets and increasing exports for Tennessee farm
5 and forestry products. I hope much of that is
6 going on in all of the other states as well.
7 The recent issues include for us the
8 European Trade Mission for horticultural products
9 one of the most promising areas of trade for our
10 producers herein Tennessee as well as producers
11 in other states and a reverse trade mission for
12 Asian food buyers here as well.
13 In July we will also host a Reverse Trade
14 Mission for Horticultural Products. Another
15 priority area includes livestock trade with the
16 long-standing relationship that we have in
17 Mexico. I believe these and other activities can
18 and will make a difference to the future of our
19 farmers herein Tennessee.
20 The stage is now being set for the
21 Ministerial Conference in November and will help

22determinethesuccessoftheseandotherprograms

23thatareundertakenatthestatelevel.That's

24whyit'ssoimportanttousinouractivitiesin

25theStateDepartmentofAgricultureandour

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1 partners in both our sister agencies and private
2 institutions as well.
3 The international trade to a large extent
4 is determined by relationships. You do business
5 with your friends. In Tennessee we will support
6 efforts to build trading relationships based on
7 principles of fair and open trade.
8 Too often we think only within the confines
9 of our own state borders. Cooperative efforts
10 and partnering will be vital to the growth and
11 development of markets for farmers across the
12 country.
13 We want to continue to build on our
14 cooperative relationship with the USDA's Foreign
15 Agricultural Service, the Office of U.S. Trade
16 Representative, our sister states, Southern
17 United States Trade Association and other
18 partners and organizations.
19 Again, our thanks go out to all of you,
20 particularly to our friends from our neighboring
21 states for being with us with today. I look

22forwardtohearingallofyourcommentsalong

23withthepanelmembers.

24Inadditiontothosewordsofwelcome,it

25ismyprivilegetointroduceourmoderatorfor

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1 today and a great moderator. Earl Manning was
2 born and reared on a cotton, cattle dairy farm in
3 DeSoto County, Mississippi. I doubt there's many
4 cotton, cattle and dairy farmers left in
5 Mississippi in terms of being that diversified.
6 He earned a Bachelor of Science degree in
7 agriculture from Mississippi State. He has a
8 Mississippi State bulldog on his lap this
9 morning. He did last night at dinner as well.
10 He is a dairy production major. He did
11 graduate study work to continue his education.
12 Before becoming a progressive farmer he worked as
13 an assistant herdman in the Tennessee area
14 operations. He was assistant to the associate
15 and district sales representative of a major feed
16 company.
17 Earl joined the Progressive Farmer as an
18 associate editor for the Kentucky Tennessee
19 Edition in 1968. Since 1974 he has served as the
20 Mid-South regional editor based here in Memphis.
21 His experience has led to numerous awards in both

22fields of agriculture and journalism.

23Earl is recognized as the Dean of Farm

24Journalism, not because he is so old or been

25there longer than anybody, he's just better and

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1 we're honored to have him here as our moderator
2 here today.

3 We in Tennessee have a great deal of
4 respect for Earl Manning. He is a true
5 professional and someone that we're proud of,
6 proud to call a fellow Tennessean, Earl Manning.

7 MR. MANNING: Commissioner Wheeler,
8 I appreciate the two generous introductions. I

9 wish Ruth could have been here to hear that. I

10 hope it's on tape. I would like to take a copy

11 home and play that back to her because she

12 wouldn't believe a word of it.

13 I do welcome you to Memphis. We're not the

14 capital of Tennessee but we are the queen city of

15 agriculture in the lower Mississippi river

16 valley. I oftentimes tell people that there in Memphis

17 we don't really know where we fit. If I'm in

18 Mississippi I say I'm from the leading city in

19 north Mississippi or the leading city in eastern

20 Arkansas, if I'm on that side of the river.

21 But there in Tennessee sometimes I think

22thatourstatelegislaturewouldjustassoonwe

23kindofsluffedoffthebluffandfloatedondown

24theriverinthegulf.Isaythatvery

25facetiouslybutwedowelcomeyoutoMemphis.I

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1 I would like to introduce some special people who
2 are here. Representing Senator Bill Frisk's
3 office, Jim Humphries. We're glad to have you
4 here.

5 Are there any other Congressmen

6 representatives here? Yes?

7 MR. ROGER (INAUDIBLE) from

8 Congressman Barry's office in Arkansas.

9 MR. MANNING: Very good, from

10 Congressman Barry's office. We appreciate your

11 being here. Thank you. Any other Congressional

12 representatives?

13 From the State Department of agriculture we

14 have Larry Warton (phonetic); from South Carolina

15 Department of Agriculture, Rick Cobb; from North

16 Carolina, Mary Ellen Barker; from the Georgia

17 Department of agriculture, Roger Barlowe; from

18 the Mississippi Department of agriculture.

19 Very good, up in the mountains there.

20 We're glad to have you, too. Did the

21 commissioner ever arrive from South Carolina?

22 There was a possibility that he might be here.

23 The purpose of this listening session today

24 is so that key people can listen to issues

25 related to world trade, issues that start out in

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1 the real world, out where it all starts, out in
2 the farms and the ranches and here in this
3 particular-- this is one of the 12 regional
4 meetings that are being held now.
5 They are being held in advance of the World
6 Trade Organization negotiations that will be held
7 in Seattle in November. So this is very
8 important work that you're doing here today and
9 we appreciate those who have come to present your
10 representative's statements to this distinguished
11 panel of people.
12 They will be-- presenters, I would remind
13 you, you are here to address the panel. This is
14 your audience today. The rest of us are here
15 kind of listening to you, but these people are--
16 these are the official listeners and we're
17 grateful that they have come to be on our-- in
18 our-- as a part of this session today.
19 The conduct of the meeting each presenter
20 will have ten minutes to present his or her case
21 and we would ask you to stay on our topic and the

22topic here is world trade.

23There are many, many issues in agriculture

24right now, world trade being a vital one, but we

25would ask the presenter to please confine your

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1 presentation to the business of international
2 trading and how that affects your particular
3 statement of agriculture.
4 We will be announcing you in the order that
5 the list has been given to me and when the
6 presenters finish, the panel may respond or not.
7 It's their call if they want something clarified,
8 but be prepared to respond if you're asked a
9 question or if a panelist needs to feel moved by
10 the spirit to make some response to that.
11 Ordinarily, though, the presenters, your
12 information is important. It's being recorded
13 and it will be conveyed. It will be--receive
14 new deliberation.
15 At this point I would like to introduce the
16 panel so that you will know to whom you are
17 addressing these remarks today. At the risk of
18 breaching a long-standing Southern tradition
19 where we present ladies first, we will break that
20 step and we'll get to the distinguished lady from
21 the Department of State, but the of fall, we have

22fromtheU.S.TradeRepresentative'soffice,Bob

23Cummings.

24AndBobisfromConnecticut.Hehas

25experienceasaneconomistbothwiththeEconomic

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1 Research Service and then later with the
2 Department of Agriculture Service within the
3 USDA. He joined the U.S. Trade Representative's
4 office in 1977 where he is a senior economist in
5 the Office of Agricultural Affairs.

6 So Mr. Cummings, if you have any comments
7 that you would like to make or remarks to address
8 by way of introduction, please do. You may do it
9 from there or what's your pleasure?

10 MR. CUMMINGS: Thank you very much,
11 Earl, also Commissioner Wheeler for your efforts
12 in arranging this opportunity for us to meet the
13 agriculture producers as true representatives in
14 the Mid-South.

15 This is a listening session so I want to
16 spend most of my time today hearing from the
17 producers and industry representatives, but let
18 me begin with some very brief remarks on the
19 principles of our agricultural trade policies,
20 the administration's view of the need for new
21 trade negotiating ground and the major

22agricultural(inaudible)isaddressed.

23TobeginwithIthinkquitebasicallyyour

24agriculturetradepoliciesrestonafewbasic

25principles,opportunity,fairnessandrespectfor

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1 science. American farmers are the world's most
2 highly competitive and technically advanced and
3 because of this have produced far more than we
4 can even eat.

5 That means we have the opportunity to
6 export to 96 percent of consumers that live
7 beyond our borders. With 25 percent total farm
8 receipts from agricultural exports we are and
9 will be in the future increasingly relying on
10 exports to remain profitable at home.

11 Through the World Trade Organization we
12 have created a set of international principles to
13 insure open markets and fair trade for American
14 producers.

15 The WTO represents 50 years of bipartisan
16 American leadership and creation of international
17 trading system that breaks down foreign trade
18 barriers and promotes rule of law. It has helped
19 to raise incomes, create jobs and promote
20 American values of fair play and the rule of law
21 (inaudible).

22 We brought agriculture into the trading
23 system in 1995. Results have been very
24 positive. The talks which created the WTO,
25 tariffs and foreign subsidies. We have also one

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1 consensus that the health and food safety standards
2 should be based strictly on science and concern
3 of public health rather than serve as a disguise
4 for barriers to imports.
5 At the same time we created strong
6 enforcement mechanisms that make sure our trade
7 partners live up to their commitments and we have
8 been most active (inaudible.)
9 We have succeeded in 20 of the 22 cases
10 that we have brought to (inaudible) WTO and 90 of
11 these nearly half have addressed agricultural
12 commodities from food sales to Japan, pork in the
13 Philippines, dairy in Canada and, of course,
14 those with respect to the European (inaudible).
15 We have found more opportunities also for
16 the series bilateral and regional agreements.
17 For example, almonds in Israel, beef in Korea,
18 grain in Canada, pork and poultry in Philippines,
19 apples in Japan and more.
20 The most recent example, which is
21 especially important to all of us here and in

22factinagricultureintheentirecountry,isthe

23bilateralsanitaryandphytosanitaryagreement

24thatwereachedwithChinainApril.This

25agreementwasmadepossiblebytheWTOsanitary

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1 and phytosanitary (inaudible) in 1995.

2 This agreement that we have with China has

3 already lifted China again on citrus products,

4 wheat and other grain from the Pacific Northwest

5 and meat and poultry to all of USDA plants.

6 When combining cuts in a wider range of

7 China's tariffs on agricultural products after China

8 joins the WTO, substantial increases in

9 (inaudible) wheat and corn and the elimination of

10 soybean oil and sunflower seed oil quotas.

11 We expect to see significant increases in

12 U.S. exports to China. We believe that this

13 agreement last year with China was a significant

14 one and very good for U.S. agriculture.

15 With that said, our work is far from done.

16 There remain numerous trade barriers and unsafe

17 trade practices overseas. We see every

18 disturbing pattern in Europe for disregard of

19 scientific standards of biotechnology which

20 presents an increasing threat to American

21 agriculture exports.

22 We are looking to build on the achievements

23 of the Uruguay Round in another round of trade

24 negotiations which will begin when the United

25 States hosts and chairs the WTO conference in

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1 Seattle which will start in November.
2 We expect the round itself, or I should
3 say, we hope the round itself will take far less
4 time to conclude than the Uruguay Round did
5 perhaps in a time frame and will address a number
6 of issues around agriculture. But there is no
7 question that agriculture will be the (inaudible)
8 agenda when the talks begin in Seattle.
9 As Vice-president Gore said, our economy
10 depends on fully productive, competitive
11 agriculture and the round is our single biggest
12 opportunity for trade policy to expand American
13 agriculture access to foreign markets.
14 So as we get ready for Seattle in the
15 months ahead, we have been and we will be setting
16 a very specific agenda. Broadly speaking, we
17 expect to address issues such as reducing tariffs
18 and other barriers for product overseas,
19 (inaudible) fair trade by eliminating foreign
20 export subsidies and reducing trade domestic
21 supports in sharing experience and fairness of

22trading,helpingtoguaranteethefarmersand

23rancherscanusesafe,moderntechnologythrough

24biotechnologywithoutfearoftrade

25discriminationandshowingthatAmerican

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1producershavetherighttoeffectiveremediesin
2dumpingsubsidiesand(inaudible).
3Asweprepareforthisworkweare
4consultingwithAmericanindustriesandCongress
5andwithourtradepartnerstosetspecific
6agendas.Wealsoneedtheadvicefromproducers
7andothersinagricultureonaspecificagenda.
8Andthat'swhywe'reheretodayisthebest
9waytofindoutissimplytojustask.Weare
10heretolistentoyouasproducersandexperts
11andpeopleinvolvedintheindustry.
12Wewanttohearyourprioritiesand
13understandyoupersonallyandtheproblemsyou
14seeininternationaltradeandagreeonthemajor
15opportunitiesweshouldexpectto realize.
16Iwanttothankallofyouforcomingto
17helpuswithyourthoughtsandadvice todayand
18again,letmethankCommissionerWheelerfor
19hostingusandforalltheworkthathisstaff
20hasdoneinorganizingthissession.Thankyou
21verymuch.

22MR.MANNING:Thankyou,Bobby.The

23nextpanelistthatIwouldliketointroduceis

24AmyWinton.SheisChiefofAgriculturalTrade

25PolicyDivisionandEconomicandBusinessBureau

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1 in the Department of State and we're grateful to
2 have a representative from the Department of
3 State here.

4 I think in the past they haven't always
5 had good communication between the Departments of
6 Agriculture and State and we're grateful that
7 you've come. Would you come to the podium,
8 please, and address the group.

9 MS. WINTON: Thank you, Earl, and
10 Commissioner Wheeler. I don't know about my
11 colleague Gus but I did have a chance to go to
12 Beale Street last night and hear some absolutely
13 wonderful music. It was (inaudible) to Memphis.
14 I'm very glad to be here today representing
15 the State Department and I won't repeat what has
16 been said by the USTR. Gus will be following
17 with more detail on the workings.

18 I would like to note that the State
19 Department will be working very closely in the
20 months and years ahead with the USTR and the USDA
21 to develop our position (inaudible). We're very

22muchawareoftheincreasinglycloselinkbetween

23ourprosperityathomeandour(inaudible)strong

24foreignpolicyoverseas.

25Trade,particularlyagriculturetrade,has

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1 become increasingly critical for our domestic
2 prosperity. As we know we're preparing for that
3 now and will be using overseas ambassadors abroad
4 to seek support from U.S. (inaudible) and will
5 also ask them to act as ears and eyes to our
6 trade negotiators who will need to know exactly
7 where our country stands on issues.
8 But even more importantly now what our
9 competitors are wanting at this upcoming trade
10 negotiations is we want to know what our own
11 farmers and ranchers learn from those talks.
12 So we are very much looking forward to
13 hearing your views and relaying those views back
14 to our senior policymakers at the State. I
15 think Gus can attest to the fact that the State
16 Department has increasingly taken a more active
17 role in economic issues and trade issues,
18 agricultural issues, in particular.
19 So we, again, look very much forward to
20 working with our colleagues and hearing all of
21 your comments today and relaying them all back.

22Thankyou.

23MS.MANNING:Anotherofour

24panelists,ofcourse,isourownTennessee

25Commissioner.Youhavealreadyheardfromhim.

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1 But at this time I would like to present one of
2 the very most respected people in American
3 agriculture, Gus Schumacher, the Undersecretary
4 of agriculture for Foreign Agricultural
5 Services.

6 He is a farm boy from, is it
7 Massachusetts? And he is working hard, you know,
8 to work on that Massachusetts accent, but we're
9 here to help him, you know, increase his
10 knowledge and grasp and understanding of that.

11 But he is from a family farm in Lexington,
12 Massachusetts.

13 He's respected from coast to coast. We're
14 fortunate to have him, number one, in the
15 Undersecretary's office in Washington and also
16 here in Memphis for this listening session for
17 the World Trade Organization.

18 He has a presentation that will explain to
19 us a background for the U.S. World Trade
20 Organization. Mr. Secretary?

21 MR. SCHUMACHER: Can you hear me? I

22think,Earl,thisisbeingrecordedsoIwill

23takethatintroductiontomywifeandthenwe'll

24sendyourintroductionmaybetoRuthaswell.I

25thankyouverymuch.

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1 I'm also glad to see so many friends here.
2 Brett Cobb, friend from Tennessee. We have
3 worked very closely together. I've known Brett
4 for a long time. Dan, delighted to see so many
5 friends from Louisiana from the sugar industry.
6 Jack (inaudible), he will be testifying here
7 later. He had me on a sugar harvester and he
8 kept me safe, Jack.
9 I did learn a lot down in Louisiana
10 visiting the sugar industry and the importance of
11 the small farmers, the family ownership of the
12 mills. It was very helpful. The very tough part
13 of our trade was on sugar. We hope to hear some
14 more about peanuts and cotton.
15 Gentleman (inaudible) and my hometown of
16 Lexington, Massachusetts, Dan, from Memphis. Now
17 he moved down here and represents cotton seed
18 very, very well. Great to see you here as well.
19 As Amy said, we are working very hard
20 across the Department. This did not always
21 happen in the past as Earl said. I'm so happy

22thatEarlismoderating.Earl istheDeanof

23Agricultureandprobablythemostrespected

24editoronagricultureissuesandmost

25knowledgeable.

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1 But we haven't worked in the past, going
2 back a number of decades, as closely (inaudible)
3 our agencies. That's why Amy and your leadership
4 and the leadership of Joe (inaudible) who is now
5 hopefully going on to be deputy secretary
6 treasurer, but he has been terrific on getting
7 them move forward on sanctions and we have more
8 opportunities elsewhere on those operations as
9 well.

10 Don Landers is here from Arkansas and
11 Dawson is here from the Governor's office. So we
12 have a very broad range of leaders from around
13 the southern part of the United States.
14 What we would like to do is take about 15
15 or 16 minutes. Jim (inaudible), Katherine
16 McKinley here from my office and Catherine
17 Cornelius did a marvelous job.

18 We have-- this is the third of twelve as
19 Dan just said as you try and get input from
20 farmers, farm groups and farm leaders, farm
21 organizations.

22WhenwegotoSeattle,wegotoSeattlein

23November,Decembofthisyear,wewanttobe

24abletosaytoourcompetitorsthatwashave

25listenedandhavethesupportofAmerican

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1 agriculture and we move forward in getting
2 further access to markets overseas and working
3 through these very important trade issues.
4 So if we start with a few--the easiest
5 thing is to go through a few slides we prepared
6 which I find very educational myself. Catherine,
7 we can start with the second slide.
8 The key here is--the critical role that
9 exports play in U.S. Agriculture that--we're
10 going to be looking at the role that the trade
11 unions played in obtaining (inaudible) export and
12 a lot (inaudible) realize that we had quite a lot
13 of success despite the falloff of exports and as
14 Bob Cummings outlined, what are our goals at U.S.
15 Seattle. Would you like to see some of those
16 modified, expanded or amplified.
17 If you go to the next one--especially
18 here in Memphis with a long history of cotton
19 exports and the role that the river has played,
20 we have had a quite a bit of success.
21 When I started, I think Bret, you and I

22weretogetheraboutintheearly90'swewere

23bumpingalong39,42billioninexports.That

24wentuptoabout60billion,thepricebutalso

25volumein'96,softenedabitin'97,droppedin

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1 '98, and in '99 we're predicting about 49
2 billion. But that seems to have stabilized and
3 we hope that we have now reached the bottom on
4 our value of exports.
5 Our volume is doing pretty well. We're
6 doing about a million tons of corn exports a
7 year. Those will be picking up with Korea coming
8 back. But we are really, really in our
9 agriculture exports. One in three harvested
10 acres, 25 percent cash receipts, 96 percent of
11 our customers are from overseas.
12 You can get some flavor if you look at the
13 overall economy, about 11 percent of four overall
14 economy in manufactured export but then look at
15 the agriculture. At one point nearly -- we're
16 nearly 30 percent and now we're down to 26 and
17 we'll see that's likely to pick up in the
18 future.
19 Now this is our long-term trend. I think
20 my staff put a peak on there, that might be
21 optimistic, but you can see that we expect in our

22baselineprojectionsyousee the peak in '96but

23yousee the softening in '86, so we've had a

24pretty good run in the decade of '86 to '96.

25But the Asian crisis, the stronger dollar

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1 and we had unusually good weather in most parts
2 of the world over the last three or four years.
3 So we've enjoyed--normally there is some crisis
4 somewhere but by in large the good Lord was
5 helpful to agriculture in most parts of the world
6 so our competitors, Argentina, Canada, China
7 produced a lot of grain.
8 But you can see that our economists are
9 indicating that we may begin to bottom out and
10 begin to climb back and exceed, probably by 2004
11 the '96 levels and should go another five million
12 by 2008.
13 If we move then to the next slide. This is
14 a busy slide but I think it gives you a little
15 flavor if you go around the country in some
16 sectors how dependent we are on exports. If you
17 look at the sunflower seed oil there, 81 percent
18 of sunflower seed oil is export. Almonds, which
19 is a major crop very much in California, 70
20 percent.
21 But those of you in Tennessee there is

22cattleoperation. Youhaveaverylargecattle
23operationand62percentofthehidesthatcome
24offofthecattlethatyouputinto feedlotsare
25exportedinasignificantparttoKoreaandthat

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1 collapsed. We had a real problem with cattle
2 hides. That has begun to pick up again.
3 Even in my own state, Massachusetts,
4 lobster, thirty percent of those lobsters go
5 overseas. Mr. Barry's district is rice. That's
6 why Mr. Barry is always calling me about rice.
7 He is encouraging me and counseling me to do more
8 with rice which is what we were doing in our
9 meeting last week.
10 We see rice 46 percent, rice exported, and
11 wheat 42 percent. Down to cotton, a third of the
12 cotton goes overseas. We're going to have to
13 work hard to get-- a good part of that 18
14 million bales of cotton that is exported, animal fats,
15 and so forth.
16 You see the extraordinary variety of four
17 exports up and the diversification of four exports
18 over the last ten years is quite extraordinary.
19 Now look at it a little differently, you
20 can read the slide at the bottom of the number
21 that we have. For example, six billion dollars

22ofsoybeansgoesoverseas.Corn,soymealfive
23million.

24Mexicoactuallythismorningisevenweak.

25Mexicohasbeenoneoftherealstarexport

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1commoditydespitethefallingoffinAsiawilldo
2welloversixbillionandfourtofiveyearswe
3expectthemtodotenbillion.DanandIwere
4talkingaboutthatthismorning.InMexico
5concentratingoncoarsegrains,soybeansandour
6meatsandtosomeextentcotton.Cottonisa
7veryimportantcommodityinMexico.
8Asyoucanseecomingbackredmeatshave
9grownveryrapidly,fourbilliondollars.Wheat
10atfourbillion,ofcoursecotton.Poultryhas
11beenarealstarandwasevenhigheron
12Russia's--ifRussiaiscomingback,we'llsee
13thatcomingbackaswell.
14Thenmovingalongtotherice,billion,and
15thosewhodobackupbusiness,wearestillup
16particularlyinthatpackbackasfourbillionas
17well.Wecan'tpromotethebackupbutourtrade
18policieswereactivetomakesurecountriesdon't
19discriminateagainstus.Wewillexplainthat
20lateronaswell.
21Freshfruit,abouttwomillion.Ithink

22Robert mentioned in China citrus will be do very

23well with fresh fruit. That gives you some

24flavor of the volume.

25Now this is important and somewhat

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1 difficult to understand, but you can see the red
2 line is net farm equity, which is on the right
3 scale, and the left is our exports. You can see
4 broadly, broadly, equity in your family by in
5 large tracks the products that you have in
6 exports.

7 It's interesting up here on the right that
8 we-- we would like to think part of that is
9 because of the efforts made in the conference
10 (inaudible) to buffer us a little bit from the
11 terrible weather problems and economic disaster.

12 But we hope the red line stays going up.

13 We don't see like you saw in the late 70's
14 and early 80's and that's why we need a response
15 from Congress is going to be very important.

16 We're certainly working with Congressman Barry in
17 leadership of the house.

18 And, second, get a decent budget for
19 agriculture. We have such a surplus. The stock
20 market was up again today, but I don't see much
21 improvement in commodity prices.

22 So the agriculture is the sector of four

23 economy. It is very, very difficult times. I

24 saw an article yesterday in the Memphis paper of

25 the pain in the rural southeast, agriculture.

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1 Again, busyslide, but this indicatestrade
2 agreements that we're retalking about next round
3 have actually helped us in moving exports up in
4 terms of-- we have probably the most significant
5 surplus in any sector.
6 It (inaudible) bill it's come down a little
7 bit as imports come up. Hopefully it will
8 reverse itself. We are a major contributor to
9 the balance and you are a major contributor in
10 keeping our economy strong. However, we need to
11 do a little bit more than the next couple of years to
12 get through a difficult time.
13 The next slide I think is an
14 important slide. I'll take a minute here. Bear
15 with me Earl, that this is the benefits that
16 we've tried to quantify from the trader routes.
17 You can see that the Uruguay Round when it's
18 fully implemented according to our economists
19 will figure an additional five billion dollars in
20 exports.
21 NAFTA we're already seeing the benefit from

22NAFTA. We've been two, three billion dollar to

23Mexico, the tariffs have come down and we have

24accesses specially to our meats and some of the

25course grains.

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1 Ricky and I have been working a lot on
2 Christmas trees in some parts, but that's come
3 roaring back and NAFTA now Canada, Mexico
4 together 13 billion dollars in exports.
5 Again beef and citrus here in Tennessee in
6 the trade agreement with Japan back in '80 with
7 Secretary Ling that's given us over a billion
8 dollars in market. Early on Mexico we have the
9 corn gluten market. We're working hard to keep
10 our beef going to Korea. These are all trade
11 agreements and this is an estimate of what we've
12 done in terms.
13 Now for example, I mentioned NAFTA. This
14 is a bus slide. These are all available for you
15 to take back with you. Dan, we're going to get a
16 set of these slides specifically for you here in
17 Tennessee with your name on it because I think
18 it's important if you visit around that you see
19 these slides and you can tell from them as well.
20 But you can see that NAFTA has really been
21 quite helpful in keeping us alive during some

22toughtimeshereandcontinuetogrow.We're

23quitepleasedaboutthat.

24YouseeNAFTAnowcomingto27percent.

25Lookatthegrowthfrom1980to1998.Andthen

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1 Mexico was low, Asia was high and now Asia has
2 come down and NAFTA is picking it up. We're also
3 going to come back to this EU which gives us all
4 heartburn. You can see that dropping to 50
5 percent. But NAFTA and Asia and South America
6 are certainly--will continue to be most
7 important.
8 GATT back in 1948 we had a set of basic
9 rules and then we had a series of GATT
10 negotiations with the President and then Uruguay
11 Round which included agriculture for the time and
12 got disciplines and then, of course, the next
13 round begins in 1999.
14 Jim Urof (phonetic) is here with us and did
15 an enormous amount of work on this last issue
16 which is entitled Sanitary Phytosanitary issues
17 which he developed the language in the Uruguay
18 Round to base our trade on science. That has
19 been very helpful to us because we want to
20 (inaudible) the hormones and other--the
21 Japanese adhere to them and we do not. We have

22discussedthat.

23Buttogiveyousomeflavorwehavemarket

24tariffscut36percent,nontariffbarriers

25convertedtotariffs.Wehaveexportminimum

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1accessquotasestablished.We'vegotexport
2subsidiescomingup,notenoughandwe'vegot
3budgetaryoutlayscut36percent.Sothisgives
4yousomeflavorwhatwepushedat,butisnowhere
5nearenough.

6ThekeyIthink,Jim,onthelastrunwas
7togetagricultureintotheUruguayRoundandto
8getthesephilosophiesdown.Thereweremajor
9philosophicalbreakthroughsthatarebeforeyou.
10Weneedtobuildonthemandamplifythem,
11particularlyonexportsubsidy.We'llcomeback
12tothatinaminute.

13Thisiswhatwe'refacingintermsof
14tariffs.Inthepastit'sbeengettingtariffs
15upthatnoonewillgobeyond.Togiveyousome
16flavor,ourmarketsEUtradeintosellto50
17percent.EUabout20percent,U.S.abouteight
18percent.Soonextroundiswehavealong
19waystogotogetthegreendowntotheyellow.
20Wehavesomeworktodoonthat.
21Thisistheonethatmanypeoplegetquite

22interestedionandI'mcertainlytaking

23tremendousinterestinistheexportsubsidies.

24Lookattheorange.Weshouldreallypaintthat

25red.

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1Eightbilliondollars--sevenbillion
2dollars,83percentoftheexportsubsidiesin
3theworldaredonebyourfriends,notsogreat
4friends,inagriculturefromEurope.This is
5goingtobetherealchallenge.
6YoucanseeU.S.onepercentandsouth
7Africawaspointfive.Ithinkthey'redownnow
8butlookatSwitzerland,youcanclimbthe
9mountaintotravelSwitzerlandandit'scosting
10taxpayers370milliondollarstopreservethose
11mountainsandwehadthosethat(inaudible)we
12couldspendthatkindofmoney.Butthatgives
13yousomeflavorofexportsubsidieskeyissuefor
14thenextround.
15Nowdomesticsubsides.Again,people
16criticizethatwesupported--thePresidentdid
17vetotheinitialbillonthedisasterfour
18billion.IthinkCongressmanBarrysaidnot
19enough.Weneedmore.Hevoted.Hewas
20criticizedveryheavilybuttheCongressdidcome
21backandpassixmilliondollarssanothertwo

22billion,40percentmore.

23Peoplecriticizeusbutlookatwhatwe're

24facing.It'smodest.Lookatourserviceand

25budget.It'smodestcomparedtodomesticsupport

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1 that of EU and Japan.

2 Summarizing quickly is what we would like

3 you to address in the next few hours. How would

4 you see us prioritizing these initial ideas? We

5 want to reduce further tariff substantially,

6 eliminate export subsidies, tighten the rules on

7 domestic support, reform the state trading

8 enterprises.

9 We want to expand access and improve

10 implementation of tariff rate quotas and

11 facilitate trade in new technology biotech

12 products. For example, the soybean producers

13 (inaudible) brought in soybeans that reduced

14 chemical load in agriculture and true yield.

15 We talked to a soybean producer last fall.

16 They call me upon their mobile phones. It end

17 to take a lot of calls and I said, how are you

18 seeing the soybean levels? It's very, very

19 tacky. Not only it reduces our costs in

20 technology, it's not a pitch for the product but

21 a comment. But your docket was lower.

22They'retryingtogetbetterpriceatthe

23warehousesandtheelevatorsbecausemuchless

24wheatiscominginthansoybeansbeingharvested

25andsoyouneedtosegregateitandgetabetter

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1 market, better price because of new technology.

2 Our friends in Europe, again, are opposing on

3 that issue.

4 This is the last slide but I think we're

5 actually listening, I think. Amy, Robert and I

6 the numbers are always travelling around

7 (inaudible). How would you see our trade

8 negotiations coming; how would you prioritize

9 what we just started off and what issues do you

10 want to basically leave off the table in the

11 missions here that we feel strongly about and we

12 will be listening.

13 As Earl said, we need to minimize our

14 comments because we want to hear you as much as

15 possible to talk through this, so Dan, Earl, thank

16 you very much for hosting us and it's great to

17 see Bob, Amy and the staff. Great to see some of

18 our friends here. Looking forward to hearing you

19 in the next few hours. Thank you very much.

20 MR. MANNING: Now you have met the

21 panel and we will move right along. We are right

22onschedule,maybealittleahead,butIwould

23encourageeachpresentertohelpusstayon

24schedule.Pleasestayonthesubjectandyou

25haveeachtenminutestomakeyourpresentations

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1tothepanel.

2ThenextpresenterMr.PaulHoughland,Jr.,

3representingtheNationalHardwoodLumber

4Associationwhichheistheexecutivemanager

5hereinMemphis.Mr.Houghland,ifyouwould

6pleasecometothepodium.

7MR.Houghland:Thankyou,Earl.

8I'mPaulHoughlandandIrepresenttheNational

9HardwoodLumberAssociationbutalsotheAmerican

10ForestryandPaperAssociationbasedin

11WashingtonD.C.

12TothepanelIwelcomeyoutoMemphis,

13hardwoodcapitaloftheworldasbeenknownfor

14decades.Apparentlyintheeyesofmanyforest

15productsarenotincludedwhenwetalkabout

16agriculture.Hopefully,wecanaddressthose

17issuestoday.

18Mr.Secretary,whenyoureviseyourslides

19andlookatfiguresIhopetheforestryindustry

20productsgetinvolvedinthat.Iwantyouto

21listen.

22The U.S. forest products is vitally

23important to the nation's economy. We employ 1.5

24million people, are among the top ten

25manufacturing employers in 46 states and in each

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1 state represented in this district represented
2 today the forest product industry is extremely
3 important.
4 We have annual sales in excess of 230
5 billion dollars. We account for about seven
6 percent of U.S. manufacturing shipments. Our
7 industry ranked earlier in this decade as one of
8 the most globally competitive of all U.S.
9 manufacturing industries.
10 However, our experience stands as an
11 unfortunate example of how U.S. acceptance of
12 inequitable trade agreements on the sectoral
13 level undermine the competitiveness of even the
14 strongest American industries.
15 Our industry has been unable to achieve
16 anything close to equivalent market access
17 because our interest repeatedly gotten lost in
18 the larger dynamics of comprehensive,
19 multilateral negotiations.
20 For more than two decades the U.S. forest
21 products industry has had its tariff protection

22sacrificed to win market concessions for other
23industrial sectors while competitor countries,
24Europe, Asia, Latin America, escaped making
25reciprocal concessions on our products.

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1 The opening of the Uruguay Round we
 2 originated the zero-for-zero concept in an
 3 attempt to change fundamental structure of trade
 4 negotiations in two important ways. One focused
 5 on the reciprocal tariff elimination within that
 6 specific sector, and, second, it moved away from
 7 a formulaic approach to an assured level end
 8 point.
 9 Which were disappointed in the result of
 10 the Uruguay Round because it failed to achieve a
 11 zero-for-zero agreement on wood tariffs. The
 12 U.S. government committed itself to work with our
 13 industry and take every opportunity to try to
 14 achieve Uruguay Round zero-for-zero objectives in
 15 wood products.
 16 The current tariff structure discourages
 17 trade in high value wood products where American
 18 producers have an edge. Zero tariffs on raw
 19 material imports throughout the world allow wood
 20 processors to import raw materials without tariff
 21 and add their own value.

22 Tariffs are applied to the full value of

23 imported manufactured products. Producers in

24 Japan, for example, can import logs from the

25 United States duty-free, but the U.S. imports of

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1 veneer, molding, plywood to that country are
2 assessed a duty. In effect, the foreign producer
3 has the cost advantage or trade protection which
4 is significantly higher than the nominal duty
5 imposed on the processed product.

6 Last November the Ministers from 1600 Asian
7 corporations APEC forum agreed to move a
8 nine-sector trade liberalization package to the
9 WTO for completion. Ministers further agreed to
10 work constructively with the WTO agreement in the
11 nine APEC priority sectors, including forestry
12 products in time for the Ministerial in Seattle
13 this November.

14 We strongly endorse APEC initiative known
15 as the Accelerated Tariff Liberalization, ATL in
16 the WTO discussions. Those include a proposal to
17 eliminate all tariffs on paper and wood products
18 between the years 2000 and 2004.

19 There is a real danger that European and
20 Japanese official resistance to anything short of
21 a comprehensive trade agreement with the WTO

22could derailearly agreement on the ATL package

23and again put our interests at risk of being

24traded away where any economic benefit to our

25industry will not come for many years.

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1 The U.S. must not accede European and
2 Japanese pressure on this point. We must
3 preserve and fortify the concept of sectoral
4 negotiations and adhere to our 'APEC commitment
5 to deliver an agreement on ATL at the time of the
6 Seattle Ministerial as an essential nonnegotiable
7 element of any agreement with WTO negotiating
8 elements.

9 The U.S. forest products industry has
10 consistently supported policies designed to
11 foster free trade even in the face of past
12 unequitable trade benefits on a sectoral level.
13 We continue to believe that successful
14 market access negotiations are the best antidote
15 for protectionism. That's why the ATL initiative
16 is so important and why the U.S. must make the
17 achievement of a WTO agreement covering all
18 priority sectors in the ATL package, including
19 forest products. They are the single most
20 important deliverable out of the WTO in Seattle.
21 I do have a hard copy of comments I can

22 leave with you. I do this, Earl, so I can keep

23 one of them.

24 MR. MANNING: Thank you,

25 Mr. Houghland, very much for your remarks and for

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1 your respect to the time restraints. I thank you
2 for the hard copy. For other presenters if you
3 do have a hard copy, you may leave those. This
4 session is being recorded but hard copies are
5 also desirable if you have them.

6 I would also like to point out that if we
7 do conclude the formal presentations by those
8 registered to make presentations before 4
9 o'clock, if we have any minutes left, then we
10 will have an open forum so that anyone may speak
11 from the audience, but we'll see how it goes from
12 a time standpoint. The next presenter is--

13 MR. SCHUMACHER: May I make a
14 comment as far as what Mr. Houghland had to say?
15 Relative to our forest products here in Tennessee
16 obviously forestry products industry in Tennessee
17 is important to us. We're a major hardwood
18 producing state. Memphis is known as the
19 hardwood capital of the world.
20 We have the forestry industry division
21 within our department of agriculture in Tennessee

22whichissomewhatunusual,particularlyinthe
23South.(inaudible)Ijustwanttomakeapoint,
24exportmarketingisveryimportanttomanyofour
25hardwoodproducershereinTennessee.

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1 For example, I know of one family owned
2 hardwood company in the middle part of our state
3 that exports 30 percent of their production.
4 They have sales representatives in foreign
5 countries that are dedicated solely to their
6 company and represent that company in our
7 European market.
8 I just wanted to add a word of support for
9 Mr. Holden relative to the hardwood industry here
10 in Tennessee and U.S.
11 MR. MANNING: If I may put the
12 Progressive Farmer perspective in that number on
13 (inaudible) the 350 thousand subscribers some of
14 them subscribe to the Progressive Farmer list.
15 The most commonly listed was beef, cattle but
16 second is timber. So in the Southern region
17 certainly timber is very, very important. We
18 recognize that.
19 The next presenter is R. Scott Miller. He
20 is Director of the National Government Relations
21 for Proctor & Gamble Manufacturing based in

22 Washington, D.C. Mr. Miller, if you would come

23 to the podium, we would appreciate your

24 presentation.

25 MR. MILLER: Thank you, good morning

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1 panelists, as well. I have the responsibility
2 for Procter & Gamble's international trade policy
3 matters. I appreciate the opportunity to address
4 myself to this group.
5 Procter & Gamble markets more than three
6 hundred brands to nearly five billion consumers
7 in 140 countries. Our brands include Tide,
8 Crest, Pampers, Pantene, Folgers Coffee, Crisco,,
9 Bounty, Oil of Olay, and Vicks. Last year
10 Procter & Gamble recorded sales of over 37
11 billion dollars of which 4.3 billion were food
12 and beverage products.
13 On behalf of the company I would like to
14 thank the Tennessee Department of Agriculture,
15 USDA, USTR and Department of State for convening
16 this important listening session on agriculture
17 and trade. We particularly appreciate the
18 opportunity to offer our comments herein
19 Tennessee because Tennessee is home to our most
20 successful food and beverage product worldwide,
21 that is Pringles Potato Chips.

22Pringlesareproducedbyover1300menand

23womeninJackson,Tennessee,aboutanhour's

24drivefromwherewearenow.OurJacksonplant

25hasapayrollexceeding55milliondollarsper

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1 year. In addition, P & G spends more than 115
2 million dollars on Tennessee goods and services
3 and pays around three million dollars in state
4 and local taxes.

5 At the Jackson plant are justifiably proud
6 of the Pringles business. This unique product
7 was one of four company's 300 brands to be sold
8 literally in every country where we do business.

9 Pringles got its start in Jackson in 1971,
10 but it wasn't until about 1990 we began to
11 develop an export business. Today 37 percent or
12 over one out of three cans of Pringles that we
13 produce in Jackson is sold outside the U.S.

14 Importantly there are many benefits to
15 this. I will give you some examples of what we
16 sell. This is Pringles. It's a violet can in
17 Spanish and Portuguese for Latin America. We
18 have Pringles for Eastern Europe and the newly
19 independent states.

20 MR. SCHUMACHER: Do these have
21 potato chips in them?

22MR.MILLER:Oh,yes.Listeningis

23hardworkandIunderstandthatyouwillhavean

24appetiteasthedaywearsonandwouldencourage

25youtoenjoythesnacks.Mr.Wheelerwilltake

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1 an empty can probably back and include it in your
2 display of Tennessee export products.
3 This is an Asian package. It's got four
4 different Asian languages. It's then on salt
5 version, which is actually preferred in Asia.
6 But in any case there are-- I have no intention
7 of carrying them back. So you enjoy them and
8 understand that this is an incredible
9 contribution of our business in Jackson and
10 throughout the world.
11 Importantly it's not just Proctor & Gamble
12 that benefits when we sell cans of Pringles
13 outside the U.S. Idaho potato farmers, cotton
14 and soybean growers, oil refiners, including our
15 largest oil refinery based here in Memphis,
16 dozens of small and medium-size companies that
17 supply packaging, materials and transportation.
18 All of them have seen our business flourish right
19 along with Jackson.
20 Things like the plastic lid that are made
21 by a company in Missouri, (inaudible) the company

22tomaketheseplasticlids..Soit'satremendous

23opportunityforsuppliersaswellasus.

24Proctor&GambleviewstheupcomingWTO

25MinisterialinSeattleasacrucialopportunity

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1fortheUnitedStatestocontinueitsagendaof
2pressingthetradeliberalization,marketaccess
3measures,reduce tariffsanddismantling
4disguised,andfranklynotsodisguised,barriers
5totrade.

6P&G'sfoodandbeveragebusinesshasthree
7keyprioritiesforlowleveltrade.Theyare,
8the,tariffreductions onprocessedfoods;
9second,customsclarification,particularly
10transparencyorclarificationandvaluation,and,
11third,protectionofthe strongagreementon
12sanitaryandphytosanitarystandards,knownas
13SPS.

14The,letmeaddress thetariffreductions.

15As hasbeenalready saidheretodayagriculture
16isoneofAmerica'smostexportdependent
17sectors.Therefore,increasedmarketaccessisa
18vitalissueforboththosewhoprocessfood
19productsandprimarycommodities.

20AsCommissionerWheelermentioned,we
21particularlyprocessedfoodsbutalsowe believe

22Americashouldbeastronglygrowingsectorof

23(inaudible.)

24Overthepast25yearsthetotalagexports

25havegrownfrom22billiondollarsayearsto52

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1 billion dollars a year. Consumer food exports,
2 finished products, have grown to just ten percent
3 of the total to a little over 40 percent of the
4 total, while bulk agriculture products, which
5 were once 75 percent of the total, are now
6 slightly under 40 percent. The balance is about
7 23 percent in intermediate but not consumer
8 goods. Forty percent of all agriculture exports
9 are consumer foods.

10 Unfortunately tariffson many processed
11 products remain on the highest of the
12 agricultural sector. Tariffson processed food
13 and beverages are not nearly as local items. The
14 consumer exports also suffer from multiple Very
15 shows such as tariff peaks, tariff escalation with
16 higher level of processing, tariff free quotas
17 and domestic substance.

18 In some cases high tariffson processed
19 foods are established because local producers pay
20 inflated prices for bulk commodities, but
21 whatever the reason, the consumer winds up paying

22forprotectionism.

23We'velearnedthatconsumersalloverthe

24worldlovePringles.Buthightariffstranslate

25fundamentallyintoadisiscriminatorysalestaxof

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1asmuchas40percentofthefinalpricing
2products,whichsignificantlyinhibitsthemarket
3shareandexportgrowth.
4Weworkdiligentlytofindwaystolower
5thesebarriers,butunfortunatelyonce
6protectionistmeasuresareinplace,they'revery
7difficulttoremove.
8Proctor&Gamblehasbuiltitsreputation
9onprovidingproductsofsuperiorqualityand
10value. We,therefore,advocatetotalelimination
11oftariffsandexportsubsidiesandstrongly
12supportthezero-for-zeroinitiativeissueonall
13processedfoodsasamovethatwillbenefit
14Americanagriculturalproducers,processorsand
15consumers.
16Lowertariffswouldtranslatedirectlyin
17ourviewtoloweringconsumerprices. Thiswould
18certainlyhelpusgrowourPringlesexport
19businessinJackson.
20Oursecondkeypriorityforthe
21multilateralagendaiscustomsharmonization,

22whichwewouldexpectwouldbeaddressedunder

23theheadingoftradefacilitation.P&Gbelieves

24thattransparentconsistentrulesforcustoms

25classificationsandvaluationgohandinhandfor

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1 low tariffs as a driver of economic benefits.
2 We believe the World Customs Organization,
3 the WCO, fulfills an important role in the
4 multilateral trading system by delivering high
5 levels of uniformity.
6 The continued success of the WCO depends in
7 large measure on each product in international
8 commerce being correctly classified.
9 Incorrect, or more frequently individually
10 negotiated categorization can lead to fragmented
11 administration of customs and can lead to weird
12 tariff rules and barriers to free competition.
13 In the case of Pringles, we welcome the
14 recent efforts by the WCO to clarify the
15 classification of similar products. This action
16 will contribute to the efficiency of exporting
17 Pringles to many countries.
18 Let me now turn to the third key priority
19 but frankly the most important and that is
20 protection of the agreement on sanitary
21 phytosanitary standards. SPS was a landmark

22agreementintheUruguayRound.Itassuredthat

23governmentsbasefoodsafetyregulationsonsound

24scienceandtrueriskassessmentas

25justification.

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1 SPS's reliance on international scientific
2 standards is essential to ensure that food safety
3 measures are not simply disguised as trade
4 barriers. Simply put, the U.S. should oppose any
5 attempt to water down these requirements.
6 The WTO, in our view, has not followed
7 through with a constructive start through the
8 dispute settlement system in implementing the SPS
9 systems.
10 Dispute panels and the appellate body are
11 giving fair interpretation to the requirements
12 to ensure that regulations have scientific
13 justification and are based on risk assessment.
14 We believe more attention could be given to
15 the provision calling for governments to base
16 their SPS measures on international standards except
17 when those standards fail to provide a high
18 enough level of public health protection.
19 We believe greater organization or mutual
20 recognition of food safety standards will in the
21 end lead to a safer world food supply and will

22helpachievedualgoalsoffewertrade

23restrictionsandtheavoidanceofepisodesin

24whichprotectionistsblametaintedonopentrade.

25Pringles,likevirtuallyalltheproducts

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1in American agriculture, are safe and wholesome
2and that's a testament to the strong U.S. food
3and safety standards which are reported by sound
4science.

5We believe that the WTO rules must continue
6to require the government base regulations on the
7best scientific information available and not
8enforce an unattainable zero risk standard.
9Allowing trade restrictions on the basis of
10so-called precautionary principle or any other
11basis other than the sound science requirement in
12the current SPS agreement would significantly
13weaken WTO rules and create tremendous
14opportunities for countries to impose new trade
15areas disguised as health and safety regulations.
16In our judgment any reopening of the SPS
17agreement at this time could lead to a weakening
18of its provision, so we strongly oppose taking a
19step backward on SPS.
20If I could make a side comment, I have had
21a lot of discussions with individuals who often

22don'tseeitthewayweseeitandwhohave

23concernswhetherit'spublichealthor

24environmentalsafetyproducts,whethertheyare

25fullyprotectedwithintheSPS.

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1 What I have observed is there is often not
2 a common understanding of what the SPS really
3 offers and how it operates. So I would
4 encourage, you as panel members will be hearing
5 from a lot of the people and working with many
6 different groups, that there is provided to all
7 of us some base understanding of how SPS works
8 with case law and why does the country choose a
9 higher standard that is actually permissible
10 under SPS as long it has the scientific
11 justification and a risk assessment.
12 It is one where almost everyone I have
13 talked to want to (inaudible) SPS has a
14 different understanding of what the current
15 agreement has than what I have. So I just offer
16 that as a suggestion.
17 In conclusion I want to pledge our full
18 cooperation as you develop specific proposals and
19 to negotiating objectives. Proctor & Gamble will
20 do everything they can to ensure the Seattle
21 Ministerial conference and then the next WTO round are

22successfulforfarmers,businessesandemployees

23andconsumers.Thankyou.

24MR.SCHUMACHER:Iwanttoclarifya

25questionifImay.Couldyouexplainalittle

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1 bit more on your sidebar about SPS and your
2 concerns-- Jim and I had a meeting and one of
3 the key issues that we-- I think Jim does a good
4 job on the original SPS language. There is
5 pressure in EU to weaken that and we are very
6 much opposed to that, of course.

7 Can you tell us an example of where your
8 concerns on the SPS are and give us some kind of
9 understanding on that?

10 MR. MILLER: The concern with our
11 products would be the products of modern
12 biotechnology or (inaudible) crops. Frankly, the
13 cans of Pringles you have in front of you have
14 large quantities of BT potatoes and BT cotton in
15 the form of cottonseed oil, all of which are
16 qualified safe and wholesome.

17 Because of concerns about products
18 (inaudible) and, frankly, a patchwork quilt
19 regulatory systems for dealing with these
20 throughout the world.

21 There has been an underlying consumer

22concern.Theconsumerconcernhasrisenupand

23insomecaseseturnedintoalegitimatefood

24scam.InBritainatthemomentthereisa

25full-fledgedfoodscamgoingoninproductsof

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1 biotechnology that have no basis in science.
2 What is-- what is typical in people who do
3 have these concerns whether it is for the safety
4 of products modified technology or for
5 potentially unforeseen impacts.
6 As you recall in a recent issue of Nature
7 Magazine there was an article published about a
8 lab test at Cornell University on Monarch
9 butterflies and it was that Monarch larvae were
10 farmed in this laboratory section by
11 (inaudible).
12 Now it's an interesting finding. It's not,
13 frankly, not surprising at all given that Monarch
14 butterfly larvae are very similar to the BT corn
15 borer that BT toxin is known to be effective
16 against. So while it's not a surprising result,
17 it is a result that has given rise to concerns
18 about whether the SPS is strong enough.
19 What I've noticed in those people with
20 those concerns is that their impulse is let's
21 reopen SPS, okay? And oftentimes that impulse to

22reopenSPSisnotbasedontheclar

23understandingofwhatispossiblewithinthe

24existingagreement.

25Ithinktheexistingagreementwashardwon

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1anditisverysolid.Inourviewifyoumove
2awayfromsoundscienceandriskassessment,you
3havereallynobasisforprovinganythingnew
4ever.

5Sowedon'twanttoslideawayfromthat,
6butatthesametimeIthinkthereisgreater
7reassurancewehavetostrengthenthecurrent
8agreementthatisnotfullyappreciatedbymany
9whoareraisingthequestions.Isthathelpful?

10MR.SCHUMACHER:Yes.

11MR.MANNING:Doootherpanelmembers
12haveanycomments?ParkWells,wouldyoubegin
13makingyourwaytothepodium?ParksWellsis
14basedinJackson,Tennessee.Heishere
15representingtheTennesseeSoybeanAssociation
16whichrepresentsTennesseesoybeanproducers
17acrossthestate.

18MR.WELLS:Onbehalfofthe
19TennesseeSoybeanAssociationandthestate
20soybeanproducers,Iwouldliketothankyoufor
21theopportunitytopresentourrecommendationson

22agriculturetradeagreementsfortheupcoming

23roundoftheWTONegotiations.

24Achievingimprovedaccesstoforeign

25marketsisofcriticalimportancetosoybean

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1producers. Every other row of soybeans produced
2in the United States is exported overseas in the
3form of soybeans, soybean meal. Approximately 90
4percent of Tennessee's production goes into
5export marketing.

6And soybeans complex impose the largest
7export in the nation in the agriculture industry
8with exports exceeding nine million dollars in
9the 1998-99 year.

10The economic livelihood of soybean
11producers is linked to exports. Market excess
12(inaudible) economic growth particularly in the
13world developing countries that account for more
14than four-fifths of the world population.

15History has shown us that trade
16liberalization helps (inaudible) it's included in
17the income for developing countries and proofs so
18does the level of purchase of food which includes
19more meat and oil in the diets.

20As the world's largest exporters of both
21soybeans and soybean oil, U.S. farmers have much

22to gain with trade liberalization. Please

23consider that when the export products are not

24transferring technology that they (inaudible)

25overseas and come back as exports.

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1 Through the American Soybean Association
2 and American Oil Seed Coalition, oilseed growers
3 have processed and have been working to advance
4 the market (inaudible) initially for trade oil
5 seed and oilseed products (inaudible) level.
6 We propose to eliminate all tariffs, export
7 subsidies (inaudible) export taxes and other
8 non-tariff barriers to trade oil, seed oil and
9 seed products. We believe a level playing field
10 will benefit soybean growers by increasing our
11 access to foreign markets by eliminating unfair
12 export practices and stimulating the (inaudible)
13 among customers.
14 We believe the United States should
15 vigorously pursue (inaudible) in Seattle. We
16 strongly believe that negotiations should be
17 (inaudible) Many countries that trade
18 liberalization acts politically difficult.
19 Therefore, the scope of the negotiations
20 has to be broad enough to ensure (inaudible)
21 difficult concessions in agriculture benefits and

22inotherareas.

23Inadditiontopursuingtherelative

24(inaudible)thefollowingadditionalissues

25shouldbeaddressedatthenextround.Rules

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1 governing biotech trade must be included in order
2 to ensure science-based regulatory rules of trade
3 issues.

4 WTO rules must supercede those of other
5 international treaties or agreements. If we are
6 successful in asking other countries to open
7 their markets relying on imports in a growing
8 portion of food needs, the United States and
9 other export nations must agree not to export
10 agriculture for consumption in embargoes or
11 reasons of short supply.

12 Meaningful provision providing food
13 security for (inaudible) should be included in
14 the next WTO agreement.

15 Fifty percent of our soybean production
16 (inaudible) domestic, foreign public poultry
17 industry. U.S. foreign and public exports have
18 declined following the reduction in trade access
19 barriers in the Uruguay Round. This momentum in
20 market access of pork and poultry should be
21 continued and accelerated.

22 Under current WTO rules developing

23 countries are the subject of foreign (inaudible)

24 have a longer period of time to liberalize their

25 markets, a country also able to accept and

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1 designate itself as developed country.
2 The United States should pursue the rules
3 for the graduation of developing countries to
4 full WTO obligation in using objective economic
5 (inaudible) such as per capita GDP.
6 The sanitary and phytosanitary of the
7 division of the Uruguay Round stipulated that
8 measures designed to protect the human animal
9 must be based on sound science. These provisions
10 can prevent no sales for safety concerns being
11 used to restrict trade. In the next round it is
12 critical to prevent SPS agreements from being
13 undermined or obstructed by non-concerns.
14 Weaknesses in current WTO settlement
15 systems are readily apparent. The United States
16 should not have a complaint in order to achieve
17 compliance in the (inaudible) compliance dispute
18 settlement round to rule in favor of the United
19 States.
20 The Uruguay Round agreement changed
21 safeguard rules to allow countries that oppose

22safeguardimportbarrierswithoutpenaltyfor

23threeyears.

24Inthenextroundcountriesthatretaliate

25should(inaudible)theresothatsafeguard

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1 actions are not taken casually. For effective
2 oath (inaudible) and permitted unilateral
3 provisions such as countervailing duties and anti
4 (inaudible.)
5 Providing income and other support for
6 agriculture (inaudible) including their own. WTO
7 rules should allow for continued support of
8 agriculture but should (inaudible) countries to
9 provide an increasing portion of (inaudible)
10 shown as the United States has already done in
11 1996.
12 What (inaudible) issues should not restrict
13 trade to U.S. soybean production. They have
14 fought long and hard to achieve the (inaudible),
15 which limits the area of overseas and European be
16 subsidized.
17 The Blair House Agreement must not be
18 weakened in any way and U.S. should (inaudible)
19 to any changes in U.S. policy should not nullify
20 or impair the benefits provided by Blair House
21 Agreement. Thank you. That concludes my

22presentationandIwanttothankyoufor

23(inaudible).

24MR.MANNING:Doesthepanelhave

25anyquestionsorcomments?

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1MS. WINTON: The want to talk to you
2about export restrictions from (inaudible). Do
3you have any specific request looking at the APEC
4open food system as perhaps (inaudible) to
5achieve this concept of freight security to
6countries, as specific proposal (inaudible?)

7MS. WELLS: That issue is rather
8complex. It involves getting down to detail of
9understanding the labeling and SPS issues and I
10really can't answer that very well. It's
11something I would like to get a little more
12information on and send it to you.

13MS. WINTON: Okay, thanks.

14MR. SCHUMACHER: Let me follow up on
15that issue. You mentioned in your testimony
16export restrictions. We are working very hard to
17get a bill out of Congress on construction of the
18policy.

19What I would like to hear from you and
20others on the wider issue--if you recall
21European export taxes a couple of years ago to

22protecttheirlivestockindustryandgrain,dowe

23needtoget--thequestionsodoweneedtohave

24somethinginthenextroundthatwouldreally

25restrictexportingcountriesputtingrestrictions

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1 onto ensure import countries that we have a
2 smoother trade, operating trade rules, that we
3 (inaudible) their export taxes, help their wheat
4 product sends all the wrong signals to importing
5 countries that we need to be sure that the trade
6 system will be there in tough times as well as
7 good times.

8 Eventually we need to have some assurance
9 that we and others will always be there when
10 things get tight. There is a paragraph I would
11 follow up on that issue.

12 MR. WELLS: Let me add in that sense
13 they started markets in 1972. The big blow that
14 we had was in the markup and sent a message to
15 Japan that we would not (inaudible) and this has
16 pushed the productions down in South America.
17 This is our biggest competitor and that
18 signalling is still going out that there are
19 restrictions in that sense. It needs to be
20 resolved to the point that they realize that
21 we've got to have available supplies and if

22supplies are short, they go down just like

23everyone else.

24That issue is most important in the next

25biotech issue. You asked about prioritizing, we

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1 I have tremendous concerns in Europe and Japan
2 about biotech. It's not something that's going
3 to go away. We thought it would, but we have to
4 work on that. Thank you.

5 MR. CUMMINGS: Question in follow-up

6 (inaudible) readily available. We would be
7 interested with regard to your comment on
8 safeguards if you could provide us with any
9 particular instances where you feel that other
10 countries are abusing the safeguards agreement.
11 We have been trying to enforce on countries
12 this is not the way to restrict imports for the
13 long term. If there is something in particular
14 that you have been seeing, what problem was that,
15 and we would appreciate hearing from you on that,
16 also.

17 MR. WELLS: We'll be glad to provide

18 that. Thank you.

19 MR. MANNING: I'll make this

20 comment, too, that Parks Wells was standing in
21 for Richard Nixon. Due to a death in his family

22Richardcouldnotbewithustoday,soParkswere

23thankyou.

24GregPompelliisanassociateprofessorat

25theDepartmentofAgricultureattheUniversity

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1 of Tennessee Institute of Agriculture.

2 MR. POMPELLI: Thank you. It's a

3 pleasure to be here and it's nice to see some

4 familiar faces and a lot of new ones. I hope today

5 that you all on the panel find this session

6 fairly interesting and that all the others also

7 provides some information and insights that you

8 will be able to take with you when you leave this

9 domestic setting and kind of hear from the choir

10 and go out in the international arena and try to

11 apply that. I know it's pretty tough.

12 As introduced I'm Greg Pompelli from the

13 University of Tennessee, Knoxville. And also a

14 member of STS Southern Regional Project looking

15 for effective ag trade on the southeastern

16 agriculture.

17 What I'm doing today is presenting, I

18 guess, in some ways you heard so I heard from

19 the soybeans, you heard from the forestry folks

20 and so forth here from many other industries.

21 What I'm going to provide is something of,

22I guess, a background of the choir because this

23is the survey that we did in Tennessee basically

24in April. We asked about 40 of our state leaders

25in terms of agriculture, ag commodities

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1 everything from beekeeping to vegetables
2 livestock and so forth, we asked them to address
3 the issues of what concern them about trade and
4 also the upcoming trade negotiations.
5 Every state in the southeastern region has
6 conducted the same study. I'm sure at some point
7 you will see the result of this as well. This is
8 basically just going to cover the Tennessee
9 perspective. How different that is from
10 Mississippi, South Carolina or other states, I'm
11 not quite sure but I wouldn't expect it to be too
12 different. It's pretty much the same.
13 I would like to use most of my time to
14 summarize the results rather than giving
15 percentages and so forth about what we found,
16 just the key points, and then take one or two
17 minutes to summarize and make a couple of
18 statements or give some thoughts about
19 suggestions about how your offices might move to
20 mitigate some of the concerns that we have in
21 Tennessee expressed.

22 As I said we had about 40 leaders consent

23 to a survey. This survey was developed by -- the

24 survey was developed by the ST287 group. A list

25 of leaders was contacted and was taken from the

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1 U.S. Department of Agriculture list of ag leaders
2 which includes commodities, business and so
3 forth.
4 From that I narrowed it down to that 40 and
5 in some ways I was hoping that we caught
6 everybody, but certainly there ought to be folks
7 out there that we missed for whatever reason.
8 Out of those 40 we had about 17 respond,
9 which in my line of work is healthy. You might
10 want to see 100 percent come back on something
11 I like this. I can understand that.
12 We asked a number of questions that were
13 fairly direct and we also had the open-ended
14 questions and asked for fairly short terms
15 getting about 50 percent which is a pretty nice
16 response as far as I'm concerned.
17 Now, when we asked them to identify the
18 trading concerns that affected U.S. agriculture,
19 that's U.S. agriculture, not just Tennessee
20 agriculture, we gave them a fairly long list or
21 laundry list to select from.

22 Basically it fell into three categories and

23 oddly enough, maybe not so oddly, you all had

24 done a lot of background work. But the and

25 probably the most important was the issue of

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1 international market access. So any number of
2 things could have fallen underneath this, but as
3 a large category demand and market access were
4 primary.

5 Certainly going through the Asian crisis
6 and watching commodity prices fall has made much
7 more for much sense (inaudible) strong export
8 market.

9 These second area are the trader relations
10 with our NAFTA partners and potential for the
11 expansion of related agreements such as the FFA.

12 In this case you all are working with the WTO.

13 It is not quite the same but certainly that
14 stands out because with Tennessee's geographic
15 location and so forth, we're very big trade with
16 Mexico, Canada. So any kind of growth in that
17 area there the changes are certainly important to
18 us.

19 Finally, the third area even though it may
20 not come out as number one, it's very important
21 and it's this issue about concerns about the WTO

22disputeresolutionprocess.Notsomuchjusthow

23it'sgoingtotakeplace,buthowinsomecases

24thosefindingsarethenimplemented.

25Iwillmentionacoupleofthingshere

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1 about the FFA because that was something that was
2 on their minds. Although it may not be something
3 that the WTO issue coming up are addressing,
4 certainly they're related.

5 Again, market access. In this case
6 protection policies and in some other cases
7 unfair government support. What they perceive is
8 unfair government support for producers in other
9 nations.

10 Those things remain a critical issue. When
11 we think about what we specifically look at as an
12 argument, not an argument, but a discussion on
13 developed nations in terms of primary areas of
14 trade.

15 We think about things like free trade
16 agreement. We're looking more at developing
17 nations and that interaction there is a little bit
18 of a clash especially with southern agriculture
19 because in some way we have a lot more at stake
20 and a lot more overlap in some of those
21 commodities.

22Thenalsoincludedinthissetofconcerns

23whatwecall,whatIcalledcompetitive

24productionconcernsbasedbasicallyonuneven

25applicationofenvironmentalphytosanitaryand

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1 sanitary and the biotechnology standards.
2 Again, there was some sense that what was
3 good for the United States grower was not
4 necessarily going to be applied to other growers
5 in developing nations.
6 We move forward and ask them directly about
7 the WTO and its upcoming ground. Oddly enough,
8 not too big a surprise, market access, dispute
9 resolution, the application of the environmental
10 and biotechnical standards.
11 And finally one that was very well
12 described. In fact, they were all interesting,
13 but one that stood out for me was that there was
14 a general concern about the treatment of
15 agricultural interests in these trade
16 negotiations.
17 And clearly agriculture is moving its way
18 to the forefront but we prepare the set type of
19 commerce and trade which is a small sector which
20 oftentimes is not (inaudible) clearly.
21 When you look at that and try to summarize

22italittlebitwehadanumberofleadersraise

23thisissueaboutmarketaccesstofarmers.

24Basicallytheydidn'twantanythingmorethan

25thatontheplayingfield.Atleastinsomany

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1 terms that's the way it was brought out.

2 As leaders one of the things they

3 understood was the importance of trade but they

4 also recognized the need to communicate annual

5 effects of the trade negotiations to those

6 members of their association.

7 That's one of the toughest things to do.

8 We can talk in theory how well that helps

9 producers and consumers around the world, but it

10 doesn't necessarily help domestic prices and I

11 think that's something that needs to be addressed

12 in many cases.

13 Again, the market access issue reviewed

14 positively open on both sides reducing our

15 tariffs what little we had left but it had to be

16 done in a measurable and a practical setting

17 terms. I think that is something that I hope to

18 see.

19 Again, let's go back and kind of close with

20 this issue in terms of four findings. This issue

21 of awareness of agriculture at WTO that has to be

22mademoreclear.Thathastobemore

23(inaudible).Sinceaghasbeenoverlookedover

24theyears,therearereallysignificantconcerns

25amongalotofourleadersinthestate.

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1 So by closing I would say maybe two or
2 three suggestions. One, demonstrate the ability
3 to set a fairly strict, tight negotiating agenda
4 through these kinds of meetings but also further
5 into other communities.
6 We want to see reduced trade barriers. We
7 want to see those markets open. Those are
8 important, but it has to be demonstrated in some
9 way that is practicable and measurable.
10 A second part would be the issue of really
11 in some sense creating confidence in the WTO. I
12 think that as an institution is somewhat
13 lacking. Recognizing certain economic needs that
14 haven't necessarily been (inaudible) some of our
15 big businesses and associations.
16 And finally, it's tied closely with these
17 the two, work hard to reduce some of uncertainty
18 with relationship to phytosanitary and
19 biotechnology standards and those applications.
20 I think it's interesting to see the
21 reactions of our folks here today but they're

22verycloselyalignedwithwhatweseein

23Tennesseeintermsofviews.They'refairly

24representativeandwiththatIwillclose.

25MR.SCHUMACHER:Willyoubemaking

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1 your summary available to us also?

2 MR. POMPELLI: I have the original

3 and we also have it on the web University of

4 Tennessee.

5 MR. SCHUMACHER: I believe, Earl, if

6 I am correct, Catherine, all the comments will be

7 on the website as well.

8 MS. CORNELIUS: That's correct.

9 MR. SCHUMACHER: Your statements

10 will not only be recorded but they will be put on

11 the website. If we had a digital camera, we

12 would take pictures of them as well. We can do

13 that. We have a person here on digital camera.

14 But we will be having all of your comments and if

15 you want to see yourself for your comments on the

16 web, be careful what you say.

17 MR. CUMMINGS: If I could make a

18 comment about concerns about agriculture not

19 being properly included or its importance

20 properly considered in upcoming talks. I don't

21 think it's an overstatement when I say that

22buildingagricultureisattheheartofour

23agenda.

24WhentheUruguayRoundwasfinished,we

25realizedthatthejobwasn'tdoneandthat'swhy

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1 we provided the Uruguay Round agreement that
2 there would be a beginning of new negotiations in
3 agriculture in 1999. We're following upon that
4 as well.

5 Also, at least from the USTR's standpoint,
6 there has been a considerable emphasis on putting
7 more resources into agriculture both at the staff
8 level and also at the political level. We have for
9 a time a trade negotiator.

10 For example, I know that with rank of
11 an ambassador and I know Gush has been very insistent
12 that we work very closely with the department
13 also with the State Department so that
14 agriculture is not ignored and it deserves the
15 proper and gets the proper attention
16 (inaudible.). I would like to leave you with
17 that thought.

18 MR. MANNING: At this point I would
19 like to ask Allen Helms from across the river in
20 Crittendon County, Arkansas. He is here today
21 representing the National Cotton Council.

22MR.HELMS:Thankyou,

23Mr.Chairman.AsyouhavealreadystatedI'm

24AllenHelms,acottonproducerfromClarksdale,

25Arkansas,andIamprovidingtestimonyonbehalf

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1 of the National Cotton Council the central
2 organization of the U.S. cotton industry. The
3 Council represents all seven segments of the
4 cotton industry from the cotton grower to the
5 textile manufacturers.

6 Currently I serve on the council of the
7 board of directors as chairman of the American
8 Cotton Producers Council. I would like to thank
9 each of you for providing us the opportunity to
10 present our views on the upcoming ground of WTO
11 negotiations.

12 International trade and the treaties are
13 extremely important to the U.S. cotton industry
14 in raw cotton, cotton textiles and cotton seed
15 and its products. In a typical year about 40
16 percent of U.S. cotton crop is exported. A
17 similar percentage of cotton textile production
18 is now exported as well due in large measure to
19 NAFTA.

20 However, the textile industry finds itself
21 under siege from the flood and cheap cotton

22textileimportsprimarilyfromAsiaduetothat

23region'songoingfinancialcrisis.

24WhereastheAsiantextileindustrieswere

25only20percent,export-drivenbeforetheAsian

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1 crisis, many are now exporting up to 80 percent
2 of their textile production. The agreement in
3 which the U.S. cotton industry competes is right
4 for domestic and trade policy distortions.
5 Many of our competitors treat cotton
6 textile production as cornerstones of economic
7 development and social stability. These
8 countries often pursue grossly distorted policies
9 designed solely to ensure the competitiveness of
10 their cotton and textile industries totally the
11 production in market cities.
12 We are supportive of U.S. efforts to enter
13 into trade agreements that will benefit the U.S.
14 cotton industry. However, we urge that our
15 negotiators keep in mind the industrial nature of
16 our product and its close link to textile
17 manufacturing.
18 The environment in which the U.S. cotton
19 competes is shaped not only by the agricultural
20 policies of our competitors, but also their
21 textile policies.

22Some fundamental goals must be achieved to

23bring this new round of WTO negotiations to be of

24significant benefit to the U.S. cotton industry.

25For example, WTO disciplines must address

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1downstreamsubsidizationofcottontextiles,
2particularlybydevelopingcountries.
3Worldwidetradeandrawcottonremain
4stagnantwhiletradeincottonproductscontinues
5togrow.Weseeincreasedcentralizationofboth
6rawcottonandcottontextileproductioninsome
7countries.
8Thesecountriesoftenengageinsignificant
9subsidizingoftheirtextilesectors.
10Subsidizingoftenstartsatthefarmlevel.The
11newroundofnegotiationsmustleveltheplying
12fieldandmakeallcountriesabidebythesame
13ruleswithrespecttosubsidiesandpolicy
14distortions.
15Thisisespeciallyimportantwithrespect
16toeconomicsectorsinwhichtheparticular
17developingcountriesarealreadyhighly
18competitive,suchascottonandtextile
19production.
20Giventhiseconomicenvironment,thetrade
21distortingpoliciesofmanyAsiancompetitors,it

22isimperativethattheUnitedStatescouldobtain

23thebiddingtoenterintobeneficialtrade

24agreements.

25Sucharrangementsofferthebestmeansfor

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1 U.S. textile industries to compete with nation
2 textiles. Science based, enforceable rules,
3 governing trade and modify organizations and
4 their products are an essential component of the
5 WTO agreement.
6 Without meaningful rules governing trade
7 the most fear mongers and thinly disguised
8 protectionism is likely to take over. Our own
9 (inaudible) battles of the European Union offer
10 clear evidence of the inadequacy of current rules
11 and regulations.
12 We must ensure this technology is not
13 satisfactory by unreasonable trade rules. We
14 urge our negotiators to continue to push for
15 increased market access for our products and end
16 non-tariff trade barriers.
17 While the Uruguay Round agreement began the
18 process of limiting government support for
19 agriculture, there is still much room for
20 improvement.
21 The Council supports strong rules

22 restricting the use of export subsidies and calls

23 for more rigid application of those rules to

24 developing countries. Our competitors should

25 have to match the dramatic reduction the United

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1 States has made in lending governmental support
2 to agriculture.

3 Until such reductions are achieved,
4 however, the United States must reserve
5 (inaudible) in order to compete with the
6 (inaudible) of four competitors.

7 We urge continued support for programs,
8 such as the Export Credit Guarantee Program and
9 Market Access Program with help from other
10 exports for our agricultural products. Programs
11 such as these are not traded distorting and fully
12 comply with WTO principles.

13 The importance of the upcoming round of
14 negotiations is heightened by the incomplete
15 sessions with China. Terms of China's cessation
16 from the WTO are critical to U.S. cotton industry
17 given that China is both the largest producer and
18 consumer of cotton.

19 Furthermore, China is the primary offender
20 of the U.S. rule of origin laws illegally
21 transshipping vast quantities of vegetable and

22apparelproductsintotheUnitedStates.

23Initialreactionofthecottonindustryhas

24beenfavorabletothereportintermsofthe

25agreementonrawcottonandcottonseedaccessto

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1 China, but so far we have half a deal because
2 China has not yet agreed to an ten-year phase out
3 United States textile import quotas consistent
4 with the terms granted to other WTO signatories.
5 Given the already significant tranship of
6 Chinese textile products into the United States,
7 it is essential U.S. textile import quotas to
8 China have to be phased out over a ten-year
9 period.
10 We are also awaiting final terms with
11 China's domestic policy commitments. Government
12 control and manipulation of cotton and textile
13 production in trade is evidenced throughout the
14 Chinese trade system.
15 Any agreement must force China to perform
16 its agricultural policies and its downstream
17 subsidizing of textiles prior to the WTO session.
18 In conclusion I would observe that although
19 the upcoming ground of WTO negotiations is very
20 important, U.S. agriculture is facing a serious
21 economic crisis today. Prices are at levels in

22relative terms that are in a four-year low and

23relief is not in sight.

24Prices of future gains and market access

25and increased demands do nothing to increase the

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1 economic crisis facing U.S. agriculture today.
2 Pressing needs for short-term assistance and U.S.
3 cotton producers in the U.S. agriculture in
4 general is not being overstated.
5 Though much of the U.S. economy escaped
6 relatively unscathed by the Asian crisis and
7 enjoys continued prosperity, U.S. agriculture is
8 not so fortunate.
9 The proper response with U.S. Government,
10 our industry along with U.S. agriculture in
11 general will be decimated as farmers in allied
12 sectors are increasingly unable to meet financial
13 obligations.
14 The Council calls the government to restore
15 funding for cotton WTO consistent step two
16 program. Other steps are necessary to bridge the
17 short-term meltdown. U.S. agriculture must also
18 be taken and taken quickly.
19 Thank you for the opportunity to present
20 these comments on behalf of the U.S. Cotton
21 Industry. We look forward to working with the

22administrationintheupcominggroundof

23negotiationsandwe'vealreadysubmittedwritten

24copiesfortherecord.Thankyou.

25MR.SCHUMACHER:(inaudible)comment

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1ontheissueofnoendinsite.Certainlylook
2fourorfiveyearsoutassomeonesaidthelong
3term,shortterm.SoIthinkthekeyisworking
4withCongressandgettingadditionalfunding
5beyondthebudget.Wewillneedtolooktothat
6foradditional supportandhopefullythat,too,
7willbeoneofthose.

8MR.MANNING:Iwouldliketothank
9allofthepanelistsforstickingonyoursubject
10andkeepingusonschedule.Accordingtothe
11agenda,wehavetimetotakeaone-hourbreakfor
12lunch.

13Tothoseofthemediawhoarehere,the
14panelistsandthecommissionersandthosewho
15havemadepresentationswillbeavailableduring
16thislunchbreakandifyouwanttoseea
17particularone,theywillbeavailable.

18Wewouldaskyoutocomebackinonehour.

19Lunchisservedoutinthebanquetareaajust
20outsidethisarea.Ifyouneedhelpgetting
21thereorgettingback,ifyouseeanyonehereon

22staffwhohasayellowribbon,theytiedayellow

23ribbonaroundthemsotheywillbehelpful.

24Thankyouverymuch.

25Atthistimewewillstandadjournedfor

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1 lunch and let's please be back at 1:55 so we can

2 begin promptly.

3 (Lunch break at approximately 12:55

4 p.m.)

5 MR. MANNING: Our the presenter this

6 afternoon is Mr. Mike Callicrate representing the

7 Fayette County Cattlemen's Association over in

8 Somerville, Tennessee. I understand that Mike is

9 a card carrying member of the Tennessee

10 Cattlemen's Association and he probably handles

11 and feeds a lot of cattle over this direction.

12 So Mr. Callicrate, if you will come forward and

13 begin your testimony.

14 MR. CALLICRATE: Thank you for the

15 opportunity to be here today. I have a 12

16 thousand acre feed lot in St. Francis independent

17 cattle producers. I depend on Tennessee cattle

18 to fill the pens in my feed lot.

19 It's important to me that Tennessee's

20 cattle succeed or continue to produce the feed

21 they do produce to fill the demand for that. I'm

22alsoinvolvedwithacoupleofdifferent

23organizations.

24OneistheCattlemensLegalFund.The

25CattlemensLegalFundisagroupofranchersand

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1cattleproducerswhohavefiledalawsuitagainst
2Iowabeefprocessors,IowaBP,IBP,inaneffort
3torestorecompetitionbacktotheindustry.We
4believethatIBPhascommittedsomepractices
5that(inaudible).

6TheotherorganizationIhavebeenheavily
7involvedwithisArchetwhichaddressesunfair
8tradepracticesoftheCanadianandMexican
9cattlethatarecomingintoourcountryandwe're
10makingprogressonthat.

11ButIhavespokentothousandsofcattle
12producers,spokenandlistenedtothemasrossthe
13countryandIbelievetheirviewsareinline
14withwhatI'mgoingtopresentheretoday.

15WTO, blessing or curse? Who among us would
16not agree that world trade should be mutually
17beneficial? Trade should promote peace, not
18cause hate and discontent. I believe all
19countries should be allowed the freedom to
20develop their own sovereign wealth creating
21enterprises including sound, diverse and

22sustainableagriculture.

23Butinourcountrythefamilyfarmand

24ranchsystemcannotsurvivefurtherdeterioration

25ofthisbalancedconceptoftrade.Local

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1 sovereignty, environmental protection and

2 individual rights cannot survive further trade

3 liberalization which is actually trade

4 distortion.

5 A fair, equitable and sustainable society

6 requires the balancing of many factors, not just

7 economic, which can only be obtained by achieving

8 a more efficient democratic system that devolves

9 power to the most lower level practical depending

10 upon the issue.

11 Today roughly one half of the world

12 population goes to bed hungry. With talk of

13 increasing exports, the citizens of Brazil are

14 robbing government warehouses for something to

15 eat. China, while suffering mass starvation, is

16 one of the world's biggest exporters of beef.

17 Paradoxically, while unable to meet the

18 growing demand for high quality beef, the United

19 States has liquidated nearly two million cows and

20 is now displacing U.S. production by importing

21 low quality, inferior and noninspected beef,

22equaltoover20percentofU.S.beef

23consumption.

24FortheweekofMay25toApril1,1999

25totalbeefimportsamountedtoover50percent.

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1 The United States with only four percent of the
2 world's population is the largest importer of
3 beef in the world.
4 Last year the U.S. cattle producer produced
5 the smallest calf crops since 1951. In view of
6 this why are U.S. livestock producers going
7 broke? Argentina, Mexico, Canada, Australia, New
8 Zealand and many other countries in the world are
9 losing agricultural producer to low, below low
10 cost of production commodity prices.
11 Basically those who produce are losing and
12 those who trade are winning. This has now
13 become a disastrous, world economic and human
14 crisis. We must ask, whom does the WTO represent
15 and whom does it benefit?
16 One answer should be corporate
17 concentration, considered the number one problem
18 in America and world agriculture. Here, four
19 beef packers IBP, ConAgra, Cargill and Farmland
20 control over eight percent of the total cattle
21 slaughtered.

22As in previous times throughout history

23these large corporate packers are falsely

24claiming economies of scale and efficiencies in

25justifying their size. The truth is, these four

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1big packers have been very efficient in
2manipulating markets and essentially stealing
3from all producers.
4At the same time as the big four firm
5packer concentration has drawn from 36 percent to
6over 80 percent, the cattle producers share of
7the consumer dollar has been reduced by 20
8percent. This amounts to over three hundred
9dollars per head less income to the producer at
10the same time the big packer and big retailer
11boast record margins and profits.
12U.S. meat packers are transnational. Like
13many other corporations they do business with
14many other countries. It has been said
15transnational corporations search the globe for
16the hungriest people who will work the cheapest
17and sell the production in the highest consuming
18markets.
19Today the U.S. is that market. These
20companies leverage people and countries against
21one another in an effort to maximize their

22profits.

23CompanieslikeIBP,ConAgra,Cargilland

24ADMareglobalpredatorsguiltyofhumanabuses,

25pricefixingandotheranticompetitiveprices.

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1 For many years U.S. sheep producers have been
2 displaced by low cost of production lamb ports
3 for Australia and New Zealand.
4 Producers from all three countries continue
5 to go bankrupt as the corporations orchestrate
6 the trade grow wealthier. And as with beef the
7 consumers of lamb pay record high prices.
8 Until people around the globe can be
9 assured of protection from the illegal acts
10 of transnational corporations, any further
11 liberalization and deterioration of balanced
12 trade should be stopped.
13 Many view the WTO as being controlled by a
14 consortium of transnational corporations with the
15 intent of colonizing the countries and the people
16 of the world.
17 Corporate and monied interests with their
18 centrally planned collective systems have a
19 history of human exploitation. From the 14th
20 century Dark Ages to the Irish Potato Famine to
21 the recent Asian economic collapse.

22The WTO should not be allowed to be an

23instrument of human exploitation and instead

24should promote equal opportunity, economic

25fairness and social justice.

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1 While the concept of multilateral
 2 interdependence has been to deter another world
 3 war it has not been shown that this new globalism
 4 is driven by the aspirations of huge-- it has
 5 now been shown that this new globalism is being
 6 driven by the aspirations of huge transnationals,
 7 not pursuit of peace.
 8 The WTO must not continue to ignore, as is
 9 the case today, the mandated costs of production
 10 and costs of doing business within countries,
 11 whether the costs are taxes, minimum wage laws,
 12 environmental and health regulations or currency
 13 evaluations. Much of our environmental law is
 14 intended to preserve the world.
 15 I believe that a significant portion of
 16 export U.S. industry is brought about to avoid
 17 far more than simply U.S. wage destruction, but
 18 rather the avoidance of compliance with the spirit
 19 intent of U.S. law.
 20 A universal effort should be mounted to rid
 21 the world of this parasitic non-sustainable

22behavior. The current establishments, the

23establishment being the USDA are land grabbing

24university system.

25The current establishment's view that big

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1 predator corporations are necessary to feed the
2 world is literally fatally flawed, erroneous and
3 destructive. I believe rather than feeding the
4 world, we must allow the world to be fed. Thank
5 you.

6 MR. MANNING: Anyone on the panel
7 have any comments?

8 MR. SCHUMACHER: I am going to
9 listen and take comments back, but I do want to
10 say on behalf of the USDA your suggestions about
11 predators, I did visit the farmers market this
12 morning and I am very pleased that we are
13 supporting the small farmers as well. I will
14 comment later on that. Thank you very much.
15 Thank you and we will certainly reflect on that.

16 MR. MANNING: Mike Brundage, if you
17 will make your way to the podium, please. Mike
18 is representing the Tennessee Farm Bureau
19 Federation. He's a director and farmer from
20 Martin, Tennessee. So, Mike, we are awaiting
21 your presentation.

22MR.BRUNDAGE:Mr.Chairman,Members

23oftheCommittee,weappreciatetheopportunity

24totalktoyou today regarding negotiating

25objectivesforagricultureinthenextroundof

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1ItradetalksintheWorldTradeOrganization.

2I'mherebeforeyouinstrongsupportof

3U.S.agriculturebeingasignificantforceatthe

4negotiatingtableinthenextWTORound.

5Iamhereasthemannualreports

6representingtheTennesseeFarmBureauasa

7memberoftheStateBoardofDirectors.The

8TennesseeFarmBureaurepresents90percentof

9thefarmfamiliesinTennessee.

10AsyouknowTennesseeisaverydiverse

11statewiththreedistrictregions.Tennessee

12farmersproducethetraditionalrowcrops

13includingcotton,corn,wheatandsoybeansandwe

14areconsistentlywithinthefivetobacco

15producingstatesinthenation.

16Inoticedononeofyourslidesthis

17morningtobaccoisveryprevalentinabunchof

18ourexports.Withthepressurethatit'sunder

19inthestateshatexportingwillbeimportantto

20ourtobaccoproducers.

21Inaddition,we'realargeproducerof

22horticulturalproductsandqualityhardwood
23timber.Intoday'sglobaleconomywerealize
24thatthefutureofthegrowthofagricultureof
25Tennessee will depend greatly on a free and open

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1 tradetoaccesscustomersaroundtheworld.
2 Agricultureconsistentlyrunsthe
3 surpluswithapositivebalanceoftradeevery
4 yearssince1960.OneofthefewU.S.industries
5 thatdoesrunatradesurplus.
6 TheabilityofU.S.agriculturetogainand
7 maintainashareoftheglobalmarketsdependson
8 manyfactors,obtainingstrongtradeagreements
9 andmakingsurethatthey'reproperlyenforced.
10 Obviously,justgoingtotalksandgettingthe
11 agreementsthatwewanttoenforceinfuture
12 yearswilltakeyearsandyearstohavesomeof
13 thoseeventhoughwehavegainedverylittle.
14 Enhancingtheadministration'sabilityto
15 negotiateincreasedmarketaccessforU.S.
16 agriculture.LastspringIhadtheopportunity
17 tobeinWashingtonandvisitsomeother
18 countriesandtheirambassiesandoneofthe
19 thingstheytolduswhenwetalkedabouttradeis
20 thefactthatourPresidentdidn'thavethe
21 abilityforafasttrackabilityinourCongress.

22 So they seem to say that if we don't have

23 the confidence to put the ability in the hands of

24 our leadership, why would they want to negotiate

25 with us. So we have to take of something's right

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1 here at home before we can do anything on a
2 worldwide basis.
3 Building necessary changes to the WTO
4 dispute settlement process to ensure timely
5 resolution of disputes. You know, we read time
6 and time and again of a dispute being brought up
7 and then taking years and years to settle and by
8 then we have worked out some other way to go
9 about the problem or price changes have changed
10 and changed the importance of that matter.
11 The agriculture community is certainly
12 suffering from very low commodity prices. We've
13 heard that from several speakers and to those
14 people in this room it is a known fact.
15 We have farmers that are facing devastation
16 of prices that are lower than they were in the
17 1930's and 40's though no more obvious than the
18 hog situation this winter.
19 It brings the point when we look at this
20 from a common sense standpoint, this past winter
21 I had the opportunity to be in Warez, Mexico,

22withmillionsofourneighborsbeggingforfood

23andathome,Iaminthehogbusiness,wewere

24sellinghogsfortencentsapound.

25It'shardtounderstandthatthosepeople

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1 I can live in silent order and we can't get the
2 food to them and I can't make a profit. We have
3 some kind of breakdown in the trade negotiations
4 when that's the situation.
5 We must protect and strengthen
6 agriculture's long-standing history of a balance
7 of trade surplus. Working through the WTO is a
8 means to ensure agriculture trader remains
9 strong. The United States cannot afford to
10 simply allow others to form new trade pacts and
11 write future rules for trade. We must be
12 involved.
13 If we forfeit this opportunity, U.S.
14 producers, and exporters will be severely
15 disadvantaged in the competitive marketplace in
16 the 21st Century.
17 If you would allow me to make a few common
18 sense objectives for this next round. Obviously
19 we need policies that promote revenue not just
20 stabilize growth or stop the downtrend. We need
21 to promote growth. We need to change some of the

22charts that we looked at this morning to a

23different direction.

24Everyone benefits from a higher standard of

25living including the countries that receive our

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1 exported products as some of us already mentioned
2 with better food products and ability to buy and
3 trade with us.

4 Our agriculture negotiators must address
5 head on issues of high tariffs, trade subsidies
6 and other restrictive trade practices, much the
7 same as the chart that you showed us with what
8 the European countries are putting in their
9 enhancement programs.

10 We have an export enhancement program
11 that's funded and we don't even use the full
12 funds in the amount of money. It's somewhat like
13 we're at war with people using different types of
14 arms if they're spending that much money and
15 we're not spending any of ours.

16 Many times personally I would feel that we
17 could do more on that aspect in building
18 relations and building the markets by using some
19 of the money that we often refer to as bailout
20 money, the money that's been put into farm
21 programs to save our producers which is always a

22shorttermfix.

23Perhapssomeofthatmoneyshouldbeput

24intosomemarketbuildingopportunitieshat

25wouldmakeitlastalifetime ratherthanafew

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1 short months until next year's crop.
2 Our market is the most (inaudible) market
3 in the world. It seems as though we'll buy
4 anything from anybody and we cannot allow
5 competitors to trade openly in our market but
6 deny us access to their markets on equal terms.
7 That goes to the fact that sometimes we
8 have seagoing vessels come to our country, bring
9 us things and go home empty without the
10 opportunity to put something on them to go home.
11 We must ensure market access for
12 biotechnology products produced from genetically
13 modified organisms. Significant delays and lack
14 of transparency in the regulatory approval
15 process initiate a need to clearly establish that
16 biotechnology products are covered by the science
17 based provisions of the WTO agreement and to
18 ensure that the approval is handled in a timely
19 manner.
20 Nothing can be more important to the
21 farmers in the southeast than this portion of

22yournegotiation.Mysmallfamilyfarmalone

23thisyear'scropwillinclude60percentofmy

24beancropreadybeans.Ihave70percentofmy

25cornandBTproduct.Ialsohave50acresof

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1 newly released round of ready corn.
2 And in relation to the man's comment this
3 morning about the in Monarch butterflies, if you
4 had Round Up ready corn and BT corn, the milkweed
5 would be better and the larva would (inaudible)
6 to begin with so we can solve that problem before
7 we even start.
8 We need to facilitate to shorten the
9 dispute resolution procedures and process. As I
10 mentioned before this typically can take as long
11 as three years to settle a dispute once it's
12 started and even after it's settled as with the
13 EU banana and beef cases sometimes even after
14 there is a settlement, compliance is not always
15 as should be timely. I understand that they are
16 still needing some increase in time for some of
17 those settlements.
18 Then negotiations must begin and conclude as
19 early as possible. Put the Tennessee agriculture
20 producers on a level playing field with the rest
21 of the world. We have been trying to get on a

22levelplayingfieldaslongasIhavebeen

23dealingwithagriculture.

24Allnegotiationsforthenextroundshould

25occurandconcludesimultaneously.Bydoingso

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1 other countries will be prevented from having the
2 difficult agricultural negotiations until the
3 bitter end.
4 A short time frame along with a single
5 undertaking approach will prevent long drawn out
6 negotiations that become too complicated to
7 conclude punctually. This will avoid leaving
8 agriculture to be a last minute undertaking.
9 Agriculture trade is important. We can
10 achieve a stronger agricultural trade with true
11 reform of the current trading regime. We need
12 fair trade for our producers.
13 We have an opportunity to help shape the
14 agenda at the next round of trade talks. We must
15 seize this chance and demonstrate to the world
16 that we are committed to opening new markets in
17 U.S. agriculture.
18 This is the conclusion of my remarks that
19 was prepared and presented from the Tennessee Farm
20 Bureau. I would like to add a personal comment
21 or two if possible.

22IamaproducerandIleftmycombine

23parkedinthefieldtodaywithnobodythereto

24run.Iwouldn'thavedonethattwoorthree

25yearsago,butwe'reatapositionandbeginning

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1 to get to the point of a crisis in agriculture
2 the point that it was worthwhile for me to stop
3 the day's work to come and try to give my views
4 to you.
5 It also because I did leave at home a
6 20-year-old son that's trying to start in
7 agriculture and without your success in this
8 World Trade Organization next meeting that we
9 start into, he probably won't have that
10 opportunity.
11 It appears that although my ability to
12 survive kind of depends on your ability to
13 succeed when you go to these hearings this year
14 and start negotiations.
15 When we signed on with the Frequent Farm
16 Act it was a (inaudible) and I still believe it
17 will work, but we did that with the promise of
18 greater, stronger trade activity with the world.
19 And as you can see with what you've
20 presented this morning from the time of the
21 '96 Farm Bill we've gone the wrong way. We've

22gone done instead of up which makes people tired

23of that situation.

24We're the big producers in the market. The

25market today my county is two dollars for corn

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1 and 4.50 for beans and 2.25 for wheat. Just

2 which one of those markets would you want to

3 produce for. I can't find one that's going to

4 work too well.

5 Dan, this morning talked about value

6 added. The problem with value added is that it's

7 increased a lot of the way the picture looks as the

8 experts say because we are producing more

9 dollars, but those value added dollars are not

10 coming back to the producers. The producers of

11 the raw product that start this process is

12 sharing very little in the advantage whether it

13 be potato chips or whatever we're seeing.

14 So, you know, I hope that you take to heart

15 the comments that you hear today. You're hearing

16 the same way from CEO's of big corporations

17 to small independent producers. We all have a

18 vested interest and we certainly appreciate the

19 fact that you're going across the country

20 listening before you start, but once you do, it's

21 very important and I hope you carry that with

22you.Thankyou,sir.

23MR.MANNING:WillieGerman,would

24youmakeyourwaytopodium?Heisafarmerfrom

25FayetteCountyandheistheDirectorofthe

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1 Tennessee Farm Bureau and the brother of a fellow
2 that served us today.

3 MR. GERMAN: Hey, Earl, how would
4 you like a notebook?

5 MR. MANNING: I don't like it.

6 MR. GERMAN: My youngest son
7 graduated from kindergarten. He's six years old
8 now. It took him the whole first half of the
9 school year this year to be able to say his color
10 without saying to go big or orange when he got to
11 orange.

12 Mr. Chairman, Members of the Committee, we
13 appreciate the opportunity to share our thoughts
14 regarding negotiations on agriculture and the
15 World Trade Organization.

16 At a time when future U.S. population and
17 consumption levels are predicted to remain
18 constant, we must anticipate that most growth and
19 consumption of agriculture commodities will occur
20 in other countries.

21 Capturing the agricultural markets

22associatedwiththisgrowthiscrucialfor

23TennesseeandU.S.farmers.Therefore,the

24TennesseeFarmBureaubelievesthatitis

25imperativethattheUnitedStates,alongwith

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1 agricultural representatives, must be at the
2 negotiating table in the next round of the World
3 Trade Organization talks with trade negotiating
4 authority to ensure that our agricultural trade
5 surplus continues.

6 International trade is a key contributor to
7 a higher standard of living and full employment
8 in the United States. Over two million jobs
9 depend on exports. The impact of trade on
10 agriculture has been especially profound with
11 well over 20 percent of our country's
12 agriculture production shipped and consumed
13 elsewhere.

14 Locally grown and processed agriculture
15 and forestry products are Tennessee's leading
16 category of exports, totaling 2.1 billion dollars
17 in 1995. For every dollar Tennessee farmers
18 received in 1996, 22 cents of that was due to
19 exports.

20 One of the recommendations included in the
21 summary report of the Governor's Council on

22AgricultureandForestrywastheneedtoincrease

23thedemandandprofitabilityofTennessee's

24agricultureandforestryproductsin

25internationalmarkets.

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1 As you well know the passage of the 1995
2 Farm Bill entered farmers into a free market
3 system. In order for this to work, we must look
4 to the world marketplace for selling products.
5 This means that we must make sure that there
6 are no artificial impediments in the way for U.S.
7 agricultural sales. The export levels for wheat
8 and soybeans has been done 13 percent. What
9 would prices have been for Tennessee and U.S.
10 farmer if exports had been up? We need free and
11 open trade opportunities for Tennessee tobacco,
12 lumber, cotton, horticultural crops and soybeans
13 as well as all other commodities.
14 Agriculture cannot afford to sit back and
15 allow the free trade process, which the U.S. has
16 led and championed, to generate. Today 96
17 percent of the world's population lives outside
18 the borders of the United States. Reliance on
19 the domestic market will not secure U.S.
20 agriculture's place in the world agriculture
21 system.

22Therefore, we urge you to assume a

23leadership role in the upcoming World Trade

24Organization negotiations and find ways to help

25transition Tennessee and U.S. farmers to utilize

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1 the potential offered by foreign buyers in these
2 foreign markets.

3 With today's market prices we need to boost

4 U.S. agriculture through various trade

5 initiatives. The action items supported by farm

6 Bureau include: Policies that promote open and

7 free access to world markets, the removal of

8 agricultural sanctions and an effort to deal more

9 aggressively with countries that erect

10 barriers and trade unfairly using export

11 subsidies.

12 With our prime geographical location,

13 transportation, infrastructure and production

14 capacity, Tennessee farmers are poised to fully

15 participate in the world market of food and other

16 agricultural products.

17 However, we need to assure that Tennessee

18 farmers with their many products will be able to

19 take advantage of the constantly evolving world

20 market.

21 Our country has invested too much in the

22causeoftradeliberalizationtorelinquishour

23leadershipnow.Inaddition,Tennesseefarmers

24musthavetheconfidencethattheywillbeable

25toselltheirproductsontheworldmarket

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1 without restrictions in the years ahead.

2 Farming has experienced some trying times

3 right now. We produce more than we can sell

4 apparently. Many of our customers in other

5 countries cannot afford to buy our products

6 because of our strong dollar and their stagnant

7 economists.

8 The U.S. has also placed trade restrictions

9 on some of these countries. It is very

10 depressing and almost impossible to produce our

11 food at prices below what they were worth 25

12 years ago.

13 I don't want to sound pessimistic, but I

14 went all of you to understand that our farmers

15 are in a desperate situation. Sometimes it makes

16 me feel like we're feeding the whole world but

17 starving our whole families.

18 That will conclude my comments on behalf of

19 the Farm Bureau. I, like Mike, farm. That's show

20 I try to make a living. Mike and I started out

21 as a young farmer, young farmers and ranchers they

22callthemnow.Mike,it'sbeen20something

23yearsago.

24Ofcourse,whenwefirststartedwehada

25dreamthatweweregoingtofarm.Everythingwe

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1heard,youknow,isthepopulationwasgoing
2slow.Therewouldn'tbeenoughfoodtosupply
3thegrowingpopulation.

4AndIknowwhenIwasaseniorinhigh
5schoolIhad25or30acresofsoybeans.Igot
6oversevendollarsabushelforthembackthen.
7That'swhenwasfertilizerwas30,40dollars.
8Ofcourse,Daddyfurnishedthedieselandallbut
9Iknowitwas12,15centsagallon.Iknowa
10newcombinein1977was30thousand.That
11wouldn'tbuytheheadedtoday.
12Lastfallwesoldbeansinthefour--
13belowthefivedollarrange.Ihaveneverdone
14thatbefore.Farminghasbeengoodtomeuptill
15lastyear.

16Ihavebeenfarmingonmyownsince1977,
17startedfromscratchon150acresofownrented
18landin1978.ThiswastheworsetheyearIever
19hadevenwiththedroughtbackin1983.'98was
20theworstyearweeverhadandwedidn'thave
21thisterribleyield.Yieldswereexceptional.

22 It was the price. Dollar a bushel for our corn.

23 There was a lot of farmers at home put

24 their--they had a place to store it. They're

25 sending to (inaudible) right now and they're not

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1even checking (inaudible) so something is wrong.

2So we do appreciate the opportunity to

3express our views. As Mike said, your job is so

4important and we hope you the best and hope

5you'll our requests. Thank you.

6MR. MANNING: Unless one of the

7panelists has a comment or remark, Jack Theriot

8if you would make your way to the podium, please,

9sir.

10Jackie Theriot comes from

11St. Francisville, Louisiana, representing the

12Louisiana Farm Bureau Federation of which he is

13the secretary treasurer.

14MR. THERIOT: Thank you, Earl.

15Mr. Secretary, Members of the Panel, as Earl said

16I'm Jackie Theriot a producer of sugarcane in

17Louisiana and also manage a cooperative for

18growers in Louisiana.

19Although, my comments reflect Louisiana's

20views on U.S. agriculture trade negotiations,

21many of our views reflect the sentiments of

22producersacrossthenation.

23InLouisianawearecognizantoftherole

24thattradeplaysintheproductionofagriculture

25commoditiesinourstateandacrossthenation.

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1 As an industry agriculture in the U.S. represents
2 one of the few industries that consistently runs
3 a trade surplus in a highly competitive global
4 marketplace.

5 In 1997 Louisiana's agriculture exports
6 were estimated at 740 million dollars, a
7 comfortable share of a nation's 50 billion
8 dollars of agricultural exports. The top export
9 crops in our state were cotton, rice, soybeans,
10 wheat, corn and cottonseed.

11 Based on Gross Farm Value export crops such
12 as rice and cotton ranked as the third and fourth
13 largest crops grown in the state. In fact,
14 Louisiana ranked third in the nation in the
15 production of rice and sixth in the production of
16 cotton.

17 Although this is impressive for a state our
18 size, these crops are just two segments of our
19 state's diverse agricultural economy which
20 includes a five million dollar forestry industry,
21 a 1.4 billion livestock industry and 885 million

22dollaragricultureindustry,a502milliondollar

23sugarcaneindustry,a157milliondollarnursery

24industryandan82milliondollarsweetpotato

25industryjusttonameafew.

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1 In 1998 the total volume of agriculture
2 commodities produced in the state were estimated
3 at \$9.6 billion and agriculture is the economic
4 engine of our state.
5 This snapshot of Louisiana agriculture and
6 its diversity is not unique to our state, and if
7 you look at a composite of other states
8 agricultural industries, you will find a similar
9 picture.
10 The significance of these numbers are that
11 when we consider our state in total, 704 million
12 dollars in exports must be weighed against
13 agricultural enterprises that supply domestic
14 markets.
15 It is important to note that these markets
16 in aggregate exceed the value of export crops in
17 our state. So while our organization strongly
18 supports agreements that would provide greater
19 market access for our state's agricultural
20 producers of export commodities, we must also
21 consider framing our trade objectives so that as

22 we pursue securing greater market access for

23 export commodities, we also recognize that not

24 all agriculture commodities are export bound.

25 Our negotiators must strive to achieve a

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1 balance between maintaining current markets and
2 securing new ones. Otherwise, the only trade we
3 are accomplishing is trading away an established
4 market for access to an export market.
5 Our thoughts are whether a market is an
6 export or domestic market. A market is a market
7 and the largest cost to our country is the loss
8 of an established market that has taken millions
9 of dollars to develop.
10 The formation of the World Trade
11 Organization (WTO) in 1995 following the General
12 Agreement on Tariffs and Trade (GATT) has
13 established an agreement that is the framework
14 for 134 member countries and 30 other prospective
15 ones to establish fair trade parameters for
16 member countries.
17 Today we stand poised to begin the next
18 round of WTO negotiations. However, the United
19 States enters these negotiations with the lowest
20 aggregate level of tariffs and trade protections
21 of virtually any member country.

22Therefore, we must first target the

23noncompliance of member countries in the

24agreements negotiated in the last round of trade

25negotiations before forging ahead with additional

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1 agreements.

2 If a country has not complied with the terms

3 of an earlier agreement, compliance must be

4 reached before U.S. negotiators move forward on

5 additional agreements.

6 Second, our negotiators must avoid the

7 temptation to offer any U.S. concession to

8 member countries in order to negotiate their

9 compliance.

10 In Louisiana a pointed example of WTO

11 member country noncompliance is the Mexican

12 government's attempt to revoke the terms of the

13 sugar side-letter agreement in the North American

14 Free Trade Agreement, (NAFTA) and the addition of

15 tariffs on U.S. High Fructose Corn Sweetener

16 (HFCS).

17 The side letter agreement on sugar which

18 caps Mexico's access to the U.S. market was

19 crucial in securing U.S. Congressional support

20 for NAFTA.

21 Now we see our domestic sugar market in

22jeopardyastheMexicangovernmentexpectsthe

23U.S.toabsorbMexicansugardisplacedbyHFCSby

24ignoringthetermsoftheside-letteragreement.

25Thistradeagreementcomplianceproblemis

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1extremely significant to the economic health of
2our state.
3You see Louisiana ranks as the second
4largest sugarcane producing state in the nation
5and it is our state's largest agronomic crop. It
6accounts for over 32,000 jobs and the sugarcane
7industry is the largest employer in a large
8region of our state.
9Our biggest concern is that U.S. trade
10negotiators will concede additional U.S. market
11access for Mexican sugar to remove Mexican HFCS
12tariffs. In Louisiana, as well as in 15 other
13sugar producing states, our view is that any
14reduction in the terms of the sugar side-letter
15would amount to negotiating away our sugar market
16to secure a corn export market, a corn market for
17HFCS that according to the terms of the NAFTA
18agreement is illegally being subjected to a
19Mexican tariff.
20Another trade issue that impacts our state
21is the terms of China's accession to the WTO.

22 While China is the world's largest market and

23 U.S. Export opportunities abound for small grains

24 and other commodities, China is also one of the

25 largest producers of cotton in the world.

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1 Cotton is important to Louisiana and it is
2 our third largest crop. While our state's cotton
3 producers need to export cotton, the terms of
4 China's accession to the WTO must include
5 adequate safeguards that prevent Chinese cotton
6 textiles from cannibalizing our nation's cotton
7 production and textile industry.
8 Negotiators need to understand that this is
9 especially important because it is our nation's
10 cotton producers that have made the greatest
11 investment to develop the domestic cotton market
12 in this country through checkoff contributions to
13 fund Cotton, Incorporated, promotional
14 advertising.
15 Therefore, we feel that the WTO terms must
16 address China's current cotton policy that
17 currently provides a reference price for Chinese
18 cotton production of 60 to 65 cents per pound.
19 The accession terms must also provide that
20 U.S. textile industry with an adequate transition
21 period for the U.S. textile industry with a

22 10-year phase-out of textile import quotas.

23 Another sticking point in upcoming U.S.

24 trade negotiations is the dilemma concerning the

25 application of sanitary and phytosanitary

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1 measures under the terms of the SPS Agreement of
2 the WTO.

3 The European Union, (EU) has applied the

4 terms of the SPS Agreement to prevent the entry

5 of genetically-modified grain and hormone-fed

6 beef. However, I must state that despite the

7 recent ruling by the WTO in favor of the U.S.

8 and Canada against the EU's hormone beef ban, we

9 must realize that the SPS Agreement does allow

10 member countries to have different phytosanitary

11 and sanitary standards based on sound science.

12 Therefore, if a sanitary or phytosanitary

13 standard has scientific justification, then the

14 WTO will not rule against these standards even if

15 they create a non-tariff barrier.

16 While I agree that scientific justification

17 versus GMO corn is vague at best, U.S.

18 agriculture may be best served by becoming

19 proactive in the SPS standards debate and

20 consider implementing U.S. standards for imported

21 products that are similar to those governing

22domesticallyproducedproducts.

23Asthecountrywithsomeofthehighest

24environmental,sanitary,phytosanitaryandlabor

25standardsintheworld,U.S.negotiatorshavean

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1 opportunity under the SPS Agreement not to erect
2 non-tariff trade barriers, but to protect the
3 safety of U.S. citizens by imposing sanitary and
4 phytosanitary standards for foreign products that
5 more closely duplicate the standards imposed on
6 U.S. producers.

7 An excellent case in point that illustrates
8 the disparity between the standards for domestic
9 versus imported products is the Food Quality
10 Protection Act (FQPA) implemented by Congress in
11 1996 to protect U.S. citizens from pesticide
12 exposure risk based on sound science.

13 The agricultural chemicals used by U.S.
14 producers such as Malathion and Lorsbancan only
15 be used on crop applications.

16 However, imported agricultural commodities
17 are not subject to comply with the Food Quality
18 Protection Act. Therefore, many chemicals such
19 as DDT and Chlorodane, which have been illegal
20 for use in the U.S. for years, are still used in
21 foreign countries.

22 Their commodities produced with these

23 illegal U.S. chemicals and others sent to our

24 country with less than one percent of these

25 commodities inspected at the border. Imported

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1 commodities must only have residue levels that
2 are below U.S. threshold levels and these
3 residues are not considered under the FQPA, which
4 governs U.S. producers' use of the product.
5 If there ever was an unfair trade practice,
6 it is our own government holding U.S. producers
7 to a standard that imported commodities are
8 exempt from. The Act serves as a U.S. non-tariff
9 trade barrier against our own producers. Under
10 the STOSPS Agreement, Article 3, (Harmonization)
11 #3 and under Article 4 (Equivalence) #1, a
12 scientifically based SPS standard based on some
13 provisions of the Food Quality Protection Act
14 would legally fit within the WTO SPS Agreement.
15 My point is that U.S. negotiators must
16 realize that whether we like it or not, sanitary
17 and phytosanitary standards are already a part of
18 ongoing trade agreements and that U.S.
19 negotiators must consider enhancing U.S. WTO SPS
20 standards or risk losing U.S. agricultural
21 markets to unregulated foreign imports.

22As we enter the next round of WTO

23negotiations, our U.S. agricultural trade

24negotiators' focus must be targeted on leveling

25the playing field.

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1 Since the Uruguay Round, U.S. agriculture
2 has not only complied with but has exceeded our
3 trade obligations for lowering tariffs and
4 subsidies and granting U.S. market access to
5 foreign countries.
6 Now as we view world agricultural trade,
7 the Uruguay Round was successful in lowering
8 tariffs and subsidy support levels, but foreign
9 countries continue to have much greater import
10 protection to their markets and higher subsidy
11 support mechanisms for their producers than those
12 provided to U.S. agricultural producers.
13 Therefore, we recommend that negotiators
14 employ a flexible request-off strategy in the
15 upcoming round of trade negotiations to reduce
16 the huge disparity in supports between the U.S. and
17 WTO member nations.
18 The formula-driven method of negotiation
19 support reductions used in the Uruguay Round
20 reduced supports proportionately, still leaving
21 U.S. producers competing for markets with foreign

22producerswithmuchhighersubsidies.

23AperfectexampleisEUsugarsubsidies

24whichtotallydistortstheworldsugarpriceby

25payingEUsugarproducersover30centsperpound

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1 while marketing surplus EU sugar on the world
2 market at less than 10 cents per pound.
3 We further recommend that our U.S.
4 negotiators target methods that have been used by
5 foreign countries to circumvent their Uruguay
6 Round commitments. The main method of
7 circumventing trade agreements has been through
8 the formation of State Trading Enterprises
9 (STE's).
10 State Trading Enterprises were not
11 addressed in the Uruguay Round and have been
12 successfully used by countries such as Australia
13 to provide subsidies and reduced interest rates
14 for producers outside of their government's
15 negotiated trade commitments.
16 In conclusion, we feel that for
17 agriculture, the upcoming ground of WTO
18 agricultural trade negotiations holds the
19 greatest promise to expand market access for
20 export commodities.
21 At the same time we have an opportunity and

22an obligation to balance these efforts with

23hard-nosed negotiation to reduce the difference

24between U.S. and foreign agricultural support

25levels.

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1 Our leverage is that the stability of our
2 U.S. currency has made U.S. market access a
3 prize. Let's use this opportunity to move toward
4 more fair agricultural trade for our U.S.
5 producers.
6 I would like to thank the panel for your
7 attention and it has been a privilege to appear
8 before you today. I would like to sincerely
9 thank the U.S. Department of Agriculture and the
10 United States Trade Representative for conducting
11 this listening session, and I would like to
12 compliment the Tennessee Department of
13 Agriculture for hosting this listening session.
14 Thank you again. I will be happy to answer
15 any questions. Also I might add in this
16 presentation I did make some comments Chlorodane
17 and DDT. That's not allegations. My work brings
18 me from back in the '60's as a Peace Corps
19 volunteer, Kennedy administration to 45 countries
20 in the world. I do consulting in these
21 countries on a very small basis back in

22 Louisiana.

23 But I have soon the use of Chlorodane and

24 DDT. Chlorodane supposedly according to our

25 trade negotiators when I asked the question to

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1 Peter Scher in Washington indicated, well,
2 they're using it for -- DDT they're using from a
3 (inaudible) control in Mexico. I've seen it with
4 many of my eyes.
5 I go down to the level of (inaudible) in
6 these countries. Just came back from Bolivia. A
7 beautiful (inaudible) -- sugar cane herbicides.
8 We cannot (inaudible) in this country, but, yet,
9 they have a panel that dictates exactly how many
10 ounces per (inaudible) you can use to control
11 grass.
12 So, again, panel be very cognizant of what
13 is happening. Always -- you know, going back to
14 the SPS. You know, we have a threshold -- like I
15 indicated to the people in (inaudible). The per
16 capita made in (inaudible) is probably 60, 70
17 dollars a year.
18 You have 30, 40 percent mortality there
19 among children that are suffering from much more
20 than from lack of nutrition. Now if the governor
21 of (inaudible) decides we've got to try to do

22somethingaboutthis.

23We'vegotofindawaytoreducethe

24mortalityrateandtheyfindthep perfect

25pesticidetobeabletoproduce--tobeableto

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1 get rid of the locusts and produce more food for
2 their people so they can reduce the mortality
3 rate and maybe (inaudible) in that pesticide.
4 What choice do they have? It's either
5 death or use the pesticide. If they produce
6 enough of this food what SPS is telling me is
7 that according to their level of protection, they
8 can export this commodity to the U.S. It just
9 doesn't make sense. Thank you, Mr. Chairman.

10 MR. SCHUMACHER: I would like to
11 thank Jack. He made a couple of very interesting
12 comments.

13 MR. MANNING: (Inaudible) Gary
14 Martin. Gary Martin is the director of grain
15 marketing for Farmland Industries in Kansas City,
16 Missouri, and he is our next presenter.

17 MR. MARTIN: Thank you.
18 Distinguished panel, Mr. Secretary, it is indeed
19 my pleasure to be here this afternoon. Not only
20 to demonstrate my personal commitment to
21 advancing the best interests of world trade, the

22bestinterestsofU.S.agricultureproducersin

23theworldmarket,butalsodemonstrateFarmland

24Industriesinterestsinthesame.

25Idon'thaveaCajunaccent.I'mafarm

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1 boy from Illinois. My family continues to farm
2 in Illinois and Iowa but I do have a quite a bit
3 of experience after I was displaced from the farm
4 in the late 80's in the world markets and I hope
5 to bring a little bit of that experience, at
6 least the flavor of that experience, in my short
7 remarks this afternoon.

8 Farmland Industries is a farmer owned west
9 of the Dakotas, south of Colorado into the
10 Southwest. In a way we're very much a grain
11 based cooperative system very much directly
12 involved with producers in economic benefit of
13 world trade.

14 As such, as an employee of Farmland, I
15 think every day about the best interests of the
16 producers, and in forming our (inaudible) of
17 world trade, first and foremost is the best
18 interests of the some six hundred thousand U.S.
19 producers that own and directly benefit
20 economically from the success of the Farmland
21 system. That's in about 26 different states.

22WhatIhopetodotodayisfirstgiveyou

23anideaofalittlebitofthebackgroundwhy

24Farmlandhascomeoutsostronglytosupportthe

25advancementoffreeandfairtradeenvironment

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1andtheglobe.

2Secondly,alittlebitaboutoursuccess

3becauseIthinkit'simportanttotheU.S.

4producertounderstandthattherecanbesuccess

5ininternationaltrade,andthenthird,

6Mr.Secretary,anddistinguishedpanel,pointing

7outourparticularperspectiveandafewpointof

8wherewethinkthingsoughttogo.

9Ifirmlybelievethatthefutureeconomic

10well-beingofAmericanagricultureisvery

11closelytiedtoourcompetitivenessandexpanding

12inaveryfastexpandingglobalmarketplace.

13TheimportanceoftradetoAmerican

14agriculturewasn'temphasizedinthe'96Farm

15Billwiththereductioninfarmsupport

16programs.

17U.S.producerswilldependonanestimated

1835percentoftheirgrossincomebytheyear2003

19onexports,35percentonimports.Therefore,we

20believethatU.S.policymuststronglyreflecta

21commitmenttoexpandingworldmarkets.

22Thetodayweseethreecriticalissues:

23First,Congressandtheadministrationneedto

24improvethefasttrackauthorityassoonas

25possible.

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1 Second, China must be incorporated to the
2 rules-based system of the WTO. It's absolutely
3 essential for American agriculture to bring the
4 Chinese into a logical scientific rules-based
5 system and that's represented by WTO.

6 Finally, the U.S. needs to exempt food and
7 agricultural products from future unilateral
8 economic sanctions. I know a lot has been done
9 currently and I applaud administration in that
10 regard.

11 Farmland also sees that the importance of
12 international trading is perhaps best underscored
13 by America's shrinking share of the World's
14 population. Americans now comprise only four
15 percent of the world's population today, don't
16 have much population growth.

17 And many countries that we trade with and
18 hope to trade with are experiencing significant
19 population growth and that alone is terribly
20 significant to what is really a beautiful U.S.
21 American agriculture. Our ability to produce is

22justastounding.

23Ivisitedsome111countriesinmynonfarm

24careerthatbeganin1989.Ihaveseenmorethan

25one,I'msureGusyouwouldreiteratemy

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1 comments. There's a demand out there when we get
2 to it.

3 Perhaps the most important is the growing
4 strength of the middle class. The power of the
5 emerging middle class is worldwide made up of
6 consumers with the ability to shift their
7 consumption patterns and that's a critical factor
8 driving consumer markets.

9 Since farmland is grain based, we're very
10 much involved in the pork and beef markets. I
11 wanted to show a couple of slides to demonstrate
12 that fact.

13 Excuse me for the lack of clarity, although
14 it comes up behind you, but we get a country like
15 India or China where the per capita income is
16 barely approaching 1000 dollars per person.
17 Other countries like South Korea are close to
18 the 3000 dollar level.

19 You can see that meat expenditures rise
20 dramatically as that income rises and that's the
21 growing middle class from 3000 per capita to the

22 20 or 25,000 dollars per capita. The U.S. and

23 some of the developed countries are up around 30

24 thousand per capita.

25 I know I (inaudible) market for need for

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1 Farmland. I'm principally responsible for the
2 grain, but I know where our targets in
3 representing the pork and beef producers. By the
4 way, the Mississippi catfish producers go in that
5 category, too. Just recently we got involved in
6 this Mississippi catfish production. We see the
7 expenditures going up around the middle class and
8 the world.

9 Just a couple of other points of view.

10 Beef consumption. Pretty stagnant in the U.S.

11 Population and income play into that very

12 strongly but the world line is a pretty strong

13 line up. We need as U.S. producers access to

14 markets.

15 The story is very much the same. The green

16 line you can barely see on the bottom is just a

17 flat U.S. consumption line of pork. The yellow

18 line is almost a 45 degree angle up. Over time

19 is the world consumption figures.

20 So a growing middle class, a growing

21 population it's some place else in the U.S. We

22needandwantthatmarketfortheU.S.

23agriculturalproducer.

24Justacoupleofotherexamplesfor

25statistics.By2005inthecountryofIndiawe

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1 believe there will be 115 million new members of
2 that middle class. By 2005 in China 196 million
3 new members of the middle class. The middle
4 class, of course, as demonstrated by these slides
5 is a major consumer--potentially a major
6 consumer of U.S. agricultural products,
7 particularly their meat products which indeed are
8 value.
9 Just a little bit about the Farmland
10 system, something I am very proud of and very
11 proud to be farmer owned and working with the
12 600,000 producers that own Farmland systems.
13 We have and continue to develop business
14 strategies revolving around and focused on a
15 particularly expanding world markets. In just
16 six years our international sales have grown from
17 less than 200 million dollars to 4.1 billion
18 dollars.
19 Those sales are directly reflected in
20 benefits to the producer, not only in (inaudible)
21 returns, but in growth and equity in the system

22itself.

23InmyparticularcaseIamresponsiblefor

24Mexico.SincethepassageoftheNorthAmerican

25FreeTradeAgreementourtradewithMexicohas

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1increasedfrom50milliondollarsin1992to450
2milliondollarsin1998,saleswithU.S.
3agriculturalproducersproducts.
4Thirdpoint,ofcourseFarmlandgivingthis
5experience,givingthisdirectbenefittoU.S.
6agricultureproducerssupportstimelyand
7comprehensivelytradenegotiationsinthe
8upcomingtraderound.
9WealsosupportIthinkI'mreiteratingnow
10inmyCajunvoice,butreiteratingsomeofthe
11thingsthatweresaidbeforethattherules
12behindthesanitaryandphytosanitarymeasures
13simplymustbebasedonstrongscience.
14Wehavehadmanynegativeexperiences.
15Thankstotheadministrationmanyofthosehave
16beenresolved,Gus.Andweappreciatethe
17assistancetousasexporters.Butwemusthave
18astrongsoundscienceanddealwiththat
19comprehensivelyacrosstheboard.
20Exportsubsidieswe'vetalkabout83.5
21percentoftheglobalexportssubsidiesandthe

22U.S.onlyaccountsfor1.4percent.Weknow

23they'rethere.Theyhavetobeonthetableand

24addressedvery,veryseriously.

25Tariffs,somethingIdealwitheverydayin

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1 trying to export grain, I don't care where it's
2 at you need to become aware of it particularly in
3 some of these advantages in South and Central
4 America can from (inaudible).
5 Kind of happy to see that the Indian pact
6 didn't find its way to (inaudible) American in
7 the short term. That helped us out a little
8 bit. We know that the average WTO member tariffs
9 are 50 percent. The EU are at 20 percent and we
10 sit there at eight percent. That's a tough
11 situation. We need to be competitive and that
12 doesn't help us any.
13 We have a very strong interest in seeing
14 state trading prices move toward full price
15 transparency and eventually into the free private
16 sector market entities. That's a strong point
17 for us. We see that in fees in a fair and
18 (inaudible) price of U.S. producers.
19 Biotech products have been discussed in
20 detail. But fair and transparent and, again,
21 scientifically acceptable rules must be

22implementedacrosstheboard.

23Ilookedatmypartrepresentingthe

24producersinterestinFarmlandjustlastyear.

25Thisyear,infact,Biotechthisismybudgetmy

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1 budget, my responsibility to the farmer about 400
2 million dollars. We don't get Biotech to
3 straighten it out. Again, I applaud the
4 administration for moving that forward in
5 international negotiations.
6 Dispute settlement mechanisms, which gives
7 problems over time must be shortened and we must
8 have clearly have as regional processes an end in
9 mind, time end and however things are going to
10 be concluded with the dispute settlements.
11 We constantly see and have concern for
12 countries being permitted to disregard dispute
13 settlement findings and some of those have been
14 mentioned earlier today so I won't go into those
15 again.
16 But producers must see that end to have
17 confidence in the multilateral trading system.
18 So the dispute settlement is key for acceptance
19 of producing others.
20 That's it. That's my points. Again, I
21 very much appreciate it. Do I have a personal

22commitmenttothiseffortandintoFarmlandhasa

23strongcommitmentaswell.

24Iappreciateyourtimeandforallofthe

25audience.Again,thisisthewaytogo.It's

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1 working for a farmer owned company like Farmland,
 2 we have to smooth out some of those rough spots
 3 and we're confident that the administration is
 4 capable of doing that for those. Thank you
 5 again.

6 MR. SCHUMACHER: Could I ask you one
 7 clarifying question?

8 MR. MARTIN: Sure.

9 MR. SCHUMACHER: That's on port. We
 10 had comments this morning and also at lunch that
 11 pork is in pretty bad shape. Your trim line I
 12 think shows that pork demand worldwide is going
 13 up faster than beef?

14 MR. MARTIN: Yeah.

15 MR. SCHUMACHER: Would you comment?
 16 I'm very interested in the way that you're
 17 working on pork with Mexico that I heard about at
 18 length yesterday with one of your colleagues.
 19 I'm quite impressed with that.

20 MR. MARTIN: It's both the branded
 21 strategies and commodities. Of course we all

22understandtheimportanceofabrandedstrategy

23inconsumermarkets.Asthemiddleclassgrows,

24thebrandedstrategyisnecessary.

25FarmlandisapartnershipwiththeMexican

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1 swine producer who has access to some of the
2 markets with this existing product and an overlay
3 of four export products into that market on a
4 branding basis. At the same time we compete
5 aggressively in commodities.
6 So we've done--in fact, we've used the
7 same strategy many times in the case of branding
8 other products. We find it very successful to
9 find an in-country partner who already has access
10 to the markets, is sometimes access to some of the
11 idiosyncracies to the government regulations
12 where to gain access for our products.
13 Now the branding strategy is very
14 particularly top pork because we're very strong
15 branding pork and beef but very strong in beef.
16 Again, I think we're going to make Mississippi
17 catfish work, too, from a branding strategy.
18 But adding that incremental value, bringing
19 that value back to the U.S. producer in pork
20 through a brand strategy--it's not simple.
21 It's a complex process in our case, a partnership

22withthelocalcooperativeinMexicothatalso

23producesporkthatalreadyhasaccesshasbeen

24verysuccessful.

25Bytheway,ourprincipalcustomerthereis

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1a Mexican company that's owned by Wal-Mart, that
2 particular group, and they're there helping us
3 out a lot, too, in promoting U.S. branded pork
4 products alongside Mexican branded pork products
5 by increasing the sales and ultimately U.S.
6 profit.

7 MR. SCHUMACHER: Thank you.

8 MR. MANNING: Andrew Whisenhunt
9 known from Bradley, Arkansas, over in the
10 northwest corner of the state. He's here
11 representing Arkansas Farm Bureau as president of
12 the Arkansas Farm Bureau and he's also on the
13 executive committee of the Farm Bureau. Andrew?

14 MR. WHISENHUNT: It's a delight to
15 be here and to have the opportunity to speak to
16 this distinguished crowd, and, Mr. Secretary,
17 we're delighted that you're interested enough in
18 agriculture and especially throughout the
19 country, not just from the perspective you get
20 sometimes within the beltway, but if you get out
21 and come and travel the country here and have the

22opportunitytogiveyousomeofthethoughtsand
23perspectives.

24IcomefromapartoftheStateofArkansas

25thatbecauseofterribleweatherconditionsfor

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1 the last several years, many of our farmers are
2 either not farming this year or still have not
3 received (inaudible) and they're trying to get by
4 on getting a crop in the ground and hoping.
5 Yet when we look at the prices, it would
6 take a double bumper crop in many of them to
7 break even much less gain any ground. For those
8 of us who work in the leadership role, we see
9 that opening the world market is feeding those
10 people that need it and building that pricing
11 structure to where we will be able to survive
12 and, to live and to share in prosperity that our
13 country has; that it's worth our time and effort
14 to come and speak to you to bring you some
15 thoughts.

17 commend my good friend from Tennessee and
18 Louisiana Farm Bureau, they're writer just copied
20 letter.

21 But I won't go into all of it. I would

22liketomakeafewpersonalobservationsandread

23toyouafewthingsthatwe'vesaidandnot

24prolongthetestimony.

25Onthesecondpageweseethatagriculture

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1 is one of the few industries that consistently
2 runs in trade services having boasted a positive
3 trade every year since 1960. We feel that U.S.
4 agriculture must get to the negotiating table in
5 a meaningful way to ensure the situation
6 continues.
7 The ability of our agriculture community
8 and the entire trade maintain a share of the
9 global market depends upon many factors including
10 obtaining strong trade agreements that are
11 properly enforced.
12 I think that from the layman's perspective
13 this is one of the weaknesses that we have found
14 and the rounds of the Uruguay and also NAFTA that
15 many times those negotiations and the agreements
16 have not been properly enforced and not been
17 (inaudible) especially (inaudible).
18 Many of our people throughout the South--
19 well, throughout the country that have depended
20 upon markets for their perishable goods and then
21 we have an influx from outside and by the time

22thenegotiationsarereachedmanyofthe

23individualfarmershavelosteverythingand

25becauseofthetimeframethat'sinvolved.I

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2Enhancingtheadministration'sabilityto

3negotiate.Ofcourse,thisissomethingthatwe

5authoritytoouradministration.We'regoingto

6beameaningfulparticipatorinthisnextround.

8there,butasIlookatthenumberofsanctions

9thathavebeenplaceduponourproducts

11yearsinanumberofcountriesinlightofthe

12factthatFairActpromisedthatwheretherewas

14farmerconcerninghiscommoditiesthatare

15affectedbysanctions,thesecontinuedtobe

17I,togetherwiththepresidentofAmerican

18FarmBureautradegroupwenttoCubarecentlyand

20needfood.They'restillunderrations.They

21wouldlovetobuyAmericanproducts.

22 And because of the difference in trade, for
23 instance, in rice we buy with the same hard
24 currency 30 percent more American rice than the
25 rice they're buying. We can't sell it to them

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1 and we need so desperately to help our families,
2 not only in rice, but in corn and wheat and
3 soybeans.
4 So anything that we can do until we get
5 these sanctions lifted and get it to where that
6 especially in food and medicine that we're going
7 to be at a disadvantage and then make the changes
8 in the WTO despite settlement process as I
9 mentioned in making timely resolutions.
10 I want to skip because much of this is
11 repetitious. At present our market is the most
12 open in the world. As we look at the tariffs
13 that are imposed upon goods that are coming in
14 they're usually three to five percent.
15 On the other hand, most of the places that
16 where we try to sell it run anywhere from 20 to
17 50 percent, sometimes even 100. We can't sit
18 idly by while our competitor trade openly in our
19 market but deny us access to their's.
20 I remember so well in the 80's when my wife
21 was invited to go with the Secretary of Guam to

22JapanandIrecallvisitingaJapaneserice

23farmerwithsevenacresofrice.Heinvitedus

24tohaverefreshmentsinhismilliondollarhome.

25ImadethecommentthatIhad134hundred

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1 acres of rice that year and I could hardly break
2 even. The difference was I was getting about

4 getting 96.

5 Then I remember going back in '92 I think

7 for the first time they allowed us to put out
8 some samples for viewing of rice. And it was

10 to drop another bomb, the concern and the media
11 attention that was given to it.

12 As we talked to the business people they
13 wanted to open the markets but the political and
14 the farmer strategy was that we have a good thing
15 and we're not going to turn it loose.

16 We always have that. We have it in this
17 country of those areas that are protected to a
18 point that we do not want to face reality, make
19 changes. One Japanese rice farmer said I can
20 make more into tomatoe than I can in rice, but I
21 just like to grow rice.

22 I suggested when they said this is part of

23 our culture, I said, well, some of our oil makers

24 in Detroit kind of felt like it was part of their

25 culture, but we didn't charge ten times for their

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1 cars coming in here to protect.
2 So these are the types of attitudes that
3 you find throughout the world, not only overseas
4 but in some instances here. As a leader in a
5 general farm organization we have to look at all,
6 all of the situation, the overall good of all
7 when we negotiate.
8 I have heard that there is quite a concern
9 in the (inaudible) we talked about last night
10 that we had to include certain provisions and
11 certain guarantees before we go into
12 negotiations. One of them was labor, another was
13 environment and then we hear so many times social
14 issues involved.
15 I submit to you, sir, and to the panel that
16 even though these are worthwhile objectives, when
17 we're talking about world trade, we're talking
18 about feeding, clothing and building prosperity
19 and the quality of life throughout the world.
20 You'll never get an even playing field when
21 it relates to labor issues, to environmental

22issuesandtoanatomicalhumanrightsorsocial
23issues.Thesesouldbeaddressedbutitshould
24notbeaconditionuponwhichwenegotiatethat
25wemighttrade.

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1 Out of it will come a better understanding
2 of how we deal with these. As an example, one of
3 the concerns has been the destruction of the rain
4 forest, the stripping bare of the land throughout
5 the world to feed the world.

6 We in our country have put because of
7 prosperity, because of markets that we have the
8 money that's available to buy it that we have
9 progressed at a tremendous rate in the last 50 or
10 60 years.

11 As a personal example, I remember we kind
12 of prided in ourselves each spring how many times
13 we put a tractor piece of tillage equipment over
14 a field before we got it planted and we had to
15 get it so beautiful.

16 This year our crop, for the most part, is
17 planted in last year's stomach, beautiful crops.
18 We've done it by developing the best technology,
19 planting equipment and providing those plant
20 protection of production tools, such as roundup
21 ready beans and cotton, BT corn. These are

22calledgeneticallymodifiedorganisms.

23AndIthinkwehaveaneducationtodo.It

24seemsthatmanypeopleinourcountrythinkthat

25thesearesometerriblelittlethingsthatare

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1 setting inside of and they're going to explode
2 someday and reveal some terrible thing there.
3 But I would tell you that every living
4 individual here in life is a result of biogenetic
5 modification, the difference between the
6 (inaudible) created a new modified organism and
7 the plants that we planted, the animals that we
8 raised has resulted in a long and a very domain
9 scientific basis used for researchers to develop
10 the green revolution, hybrid corn, lean hogs,
11 kinds of beef cattle and the chickens that we
12 have are all the result of genetic modification.
13 Before where it took years, today our
14 science has found a shortcut. We're the
15 beneficiaries. If we can get the message to the
16 world, then we will sell to them and we'll trade
17 with them with the finest products that's ever
18 been known to man.
19 I will let you read the rest of my
20 statement at your leisure. Thank you, sir.
21 MR. MANNING: Pat Sullivan is a

22farmerfromBurdette,Arkansas,downinsouthwest

23Arkansaswhogrewupintheoppositecornerof

24thestateinnortheastArkansas.PatSullivan

25fromBurdette,Arkansas.

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1MR.SULLIVAN:Thankyou.Earl,I
2canappreciateyourdilemmawithbeingfrom
3MississippiStatebeingabulldogandtryingto
4writeandbeaneditorfortheProgressiveFarmer
5andstayingoutoftrouble.Mydadwentto
6MississippiStateandmywifewenttoOleMiss.
7IhaveacousinthatwenttoAlabama,onethat
8teachesatFloridaStateandmygrandparentsall
9wenttoschoolatAuburnandgotagdegrees.
10IpersonallylikeLSUwhentheyplayeddown
11inDeathValleybecausethefoodIcanget,the
12PoBoysandwichesandthestufftheysservedown
13there.Ican'tgetticketstoTennesseeand
14Kentuckyyet,butI'mtrying.Icanpickoutany
15teamonagivenSaturdayandpullforthem.
16MR.MANNING:You're(inaudible.)
17MR.SULLIVAN:Iwouldliketothank
18Mr.Secretaryandthisdistinguishedpanelthat's
19cometotheMid-South.Weappreciateitvery
20much.I'maseventhousandacrefarmerfrom
21northeastArkansas,justafewmilesnorthof

22here,almostintheboothilofMissouri.

23Ioperateafamilyfarmwiththreesonsand

24mywife.Wefarmallgrain,soybeans,wheat,

25riceandcorn.Andalsomycommentstodaywill

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1 primarily be centered around wheat. I represent
2 the Arkansas Wheat Promotion Board.
3 Back in 1984 we wheat farmers in Arkansas
4 passed a checkoff and became the first winter
5 wheat state to become a member of U.S. Wheat
6 Associates and a lot of this information, a lot
7 of the policies that I have opinions on actually
8 came through the board of directors U.S. Wheat
9 which I serve.
10 We have had-- as a result of this check
11 off we raised about 500 thousand per year that's
12 been on promotion and research. We had the
13 Chinese (inaudible) team that has come through
14 and many others that came through.
15 This particular Chinese team that came
16 through was from Beijing and we had depended
17 heavily on the Chinese market which I will refer
18 to a little bit later. The commodities that
19 we-- I represent major exported commodities in
20 Arkansas wheat about two billion dollars in 1997
21 were exported and this is much more than our 150

22oftheshareofthefigureshatyouhad,

23Mr.Schumacher,onthescreenthismorning.

24Soybeansandpoultryhavealwaysbeen

25numberoneandtwo.Soybeansisnumberone,435

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1million,poultry413.Riceisrighttherewith
2them,411andwheat238millionandcotton,which
3wetalkedaboutthismorning.

4TheMid-Southhasalwaysbeenwell-knownas
5acashcropandwheatisevenalittlebithigher
6thancottonasfaraswhat--weproduceabouta
7millionacresofwheat.It'sprobablythebest
8keptsecretintheUnitedStatesthatwegrow
9wheatinArkansasandintheMid-South
10(inaudible.)

11Mostoftheseproductsaregrowninthe
12easternpartofthestateneartheMississippi
13RiversandArkansasRiver,sowehaveareal
14advantageastoexportingoverseas.
15Wenormallyexportedandhavebeen
16exportingabout80percentofthewheatthatwe
17growthroughtheGulfportsandwethinkthatour
18objectivescoincidedalmostverbatimwiththe
19onesthatyouhadonyourscreenthismorning.
20Thefivegoalsthatyouhadonyourscreen
21thatwouldcoincidewiththeonesthatwehad,

22early conclusion to negotiations, elimination of

23export subsidies, sanitary and phytosanitary

24issues. These need to be renewed and not

25reopened. Market access for Biotech and dispute

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1 resolutions.

2 The U.S. domestic wheat market, which has

3 not been referred to this morning, but it's still

4 expanding. It does not offer the growth

5 potential that was available abroad. Ninety-six

6 percent of the world's population is living

7 outside the United States. So U.S. wheat

8 producers have little but to focus on the

9 potential of the export market.

10 The U.S. maintains fewer trade-distorting

11 practices and activities than most other wheat

12 exporting countries. It should use its leverage

13 to influence and set forth an agenda and

14 strategies to benefit the U.S. farmer.

15 U.S. policymakers continually need to be

16 reminded about the Freedom to Farm Act which was

17 predicated on the assumption that producers would

18 have ready access. This has already been

19 referred to numerous times today.

20 United States Congress also needs to go

21 ahead and pass what we call the Trade Negotiating

22 Authority Legislation which previously is known

23 as fast track so that we can participate in these

24 trade matters. Any progress in reducing barriers

25 would continue to be almost impossible without

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1 this fast track legislation.

2 I think Andrew has done a great job of

3 talking about biotech, so I'm going to pass that

4 one. The U.S. wheat producers are relying on

5 export markets for roughly one half of 50 percent

6 of the sales. They resent being shoved out of

7 some of the world's significant export markets

8 for U.S. political purposes.

9 It's pure and simple. We're mad about;

10 we're angry about and we want it changed.

11 We'll do all we can to have it changed and we're

12 trying to do that as you can see with our check

13 off.

14 Sanctions on wheat exports do not work.

15 They just encourage buyers to find their products

16 elsewhere. U.S. producers want to be reliable

17 exporters, and, therefore, oppose the imposition

18 of any sanction except in cases of war or

19 national emergency. And the WTO should endeavor

20 to discourage unilateral sanctions on food in

21 countries around the nation.

22 We have a situation in wheat that I'm sure

23 you're familiar with. I'm going to give you a

24 copy of this, but I'm going to point out a little

25 bit about it because I'm centering it on the

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1 Chinese market.

2 Back in 19--there was a smut disease

3 called TCK. I'm sure you may have heard about

4 it. Tilletia controversa kuhn is the name of it,

5 develops in winter wheat crops that are grown in

6 many parts of the world, particularly in this can

7 country in the Pacific Northwest.

8 It does no harm to anyone, no humans or

9 animals. It's specific environmental conditions

10 that cause this TCK product where you have

11 constant snow cover and we have none of this as

12 I've shown in the Arkansas wheat or the Mid-South

13 wheat because we don't have conditions for it.

14 But back in 1972 China instituted

15 restrictions on imports to the U.S. wheat because

16 of TCK and put in what they called zero

17 tolerance. But from 1970 to 1996 when China

18 continued to import wheat from the Gulf Coast and

19 none from the Pacific Northwest. My friends and

20 farmers were hopping mad about that. They have

21 always been concerned about it because they felt

22liketheywerebeingunfairlydiscriminated

23against.

24Duringthatperiodoftimeweexporteda

25hugeamountofwheattoChina.ChinaandRussia

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1 were our number one market for wheat for many
2 years, and we've lost the Chinese market; we've
3 lost the Russian market. We'll never get the
4 Russian market back and we know that.
5 But in '86 China expressed an interest in
6 becoming a member of GATT and for next 13 years
7 they were trying to pursue this and trying to
8 talk about the World Trade Organization and
9 membership in that.
10 Then in 1988 through '91 several China
11 workshops were developed. Some of you may have
12 been received in developing a TCK spore
13 identification process. So in 1992 the U.S.
14 decided to sign a bilateral agreement or
15 memorandum of understanding in which China agreed
16 to resolve the sanitary and phytosanitary
17 products and base everything on sound science.
18 Well, in 1993 through '96 Eugene Moos, who
19 I assume is still with the SPA, undertook efforts
20 to solve the TCK problem. There was a joint
21 China working group, U.S. China working group,

22thatwasformedthathadmanymeetingsand

23searchingforasolution.

24SoChinafinallyannouncedthattheWest

25Coastwheat,whichwethinkattimeshastheTCK

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1problem,couldbeshippedtotheislandofHainan
2withoutrestriction,whereverthat is,some
3island.AndsotheU.S.rejectedpromptlythis
4asbeingthesolutionthatwasentirelytoo
5restrictive.

6Sothatbringsusbacksortoffairlyclose
7towherewearenow.TheU.S.hasdone
8considerableresearchtodeterminethelevelsof
9TCKspores.

10InMarchof'96Chinarefusedtounload
11severalGulfwheatshipments.Nowthisisour
12GulfPortShipmentsofwheatbecauseofTCK,
13whichcausedasubstantialfinanciallosstoU.S.
14exporters.

15Thiswasadramaticchangefrommany earlier
16practicesthattheyhadwheretheyhadalways
17beenveryeasytoexportwheatthroughtheGulf
18toMemphis..SoitendedallU.S.wheatexports
19toChinaforthenextcoupleofyearsand
20basicallythatcutsoureexportsouttoChina.
21In'98theyconductedanotherstudyandthe

22USDAfoundthattheriskofTCKwasn't

23significantstatisticsotohisstudydrawson

24previousresearchandfindsthatclimactic

25conditionsarenecessaryforittobeestablished

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1 are restrictive to a limited area in China; that
2 the level of concentration is much too low to
3 allow TCK to be established in China through the
4 shipments of wheat that we might send to them.
5 In January of 1999 U.S. wheat producers in
6 10 states hired Micky Kantor, a former U.S. Trade
7 Representative and Commerce Secretary to work
8 with the TCK issue and he in an opportunity to
9 maximize--an effort to maximize the
10 opportunities represented by Premier Zhu's
11 expected to visit our country this April and
12 assure that TCK was part of the deal.
13 And so in April of '99, this brings us up
14 to date, during this visit from the Prime
15 Minister of China it was announced that China was
16 lifting all long-standing restrictions of imports
17 of U.S. wheat from where TCK is known to occur.
18 This agreement is for one year, for one
19 year. There is no stability other than this
20 agreement and the agreement allows for wheat
21 imports that do not exceed the 30 thousand TCK

22sporesper50gramsample.

23WethinkthattheChinamarketpotentially

24couldamounttoasmuchaseightmillionmetric

25tonsofwheat.Weneedthatsale.Weneedthese

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1 foreign countries to pay cash for their wheat.
2 We don't have to issue them credit from what I
3 understand.
4 So that brings me down to my last comment
5 that is that I want to be like Al Helms and some
6 of the others. I don't want to be too
7 Halloweenish on this whole deal, but our ending
8 stocks--these are USDA figures, by the way,
9 that I got off the internet--ending stocks for
10 wheat this year are expected to be 980 million
11 bushels, 980 million bushels. They're going to be
12 piled up somewhere because there's not enough
13 storage to hold that amount.
14 This is percent increase over the '97, '98
15 carryover and it's the largest carryover since
16 the 1987, '88 carryover. Now that's all wheat.
17 On soft trade wheat our ending stocks are
18 projected to be 150 million bushels which is the
19 largest ever. Soft wheat, bread wheat exports
20 are only projected to be 75 billion bushels this
21 year, down 105 million from last year.

22Where doesthattakeus?Therecordfor

23exportswere460millionbushels1981and1982.

24That'sbackwhenChinawasbuyingwheat.And

25we'reashighas200millionbushelsasrecentas

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1 1989 and 1990.

2 So to name them off the top six exporters

3 as of February of '99, Egypt was number one,

4 Japan was number two; Philippines was number

5 three; South Korea is number four; Nigeria was

6 number five and Pakistan was number six. They

7 went down from third this year.

8 So I think we would like to leave you with

9 the same comment that was made earlier by some of

10 these Mid-South farmers, and that is that we

11 definitely need strong help from your committee

12 with your what would be known as the Seattle

13 Round of negotiations.

14 We're banking on us and our government to

15 help us because we're going to have to-- someone

16 is going to have to get rid of this wheat. We

17 know that these people are hungry and need it and

18 have the money to pay for it. Thank you.

19 MR. SCHUMACHER: I want to make a

20 comment on the sanctions. I think there is

21 continued confusion on that (inaudible.) One, I

22thinkwe'veincreasedourfoodexportsfromthree

23millionnormaltoaboutroughly12million.

24Tryingtogetsupporttomovingtheexcess

25inventorytothosecountriesthatneedit.Some

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1 of them can't pay for it so we're providing it

2 (inaudible.)

3 Second on sanctions, this has come up a

4 three or four times so I want to take half a

5 minute to address that. Amy Voss and I worked

6 very closely with the administration to ease the

7 administration of sanctions. There was

8 confusion. We had six countries we had sanctions

9 on, Cuba, Libya, Sudan, Iraq, North Korea and

10 Iran.

11 Iran and Iraq, Libya and Sudan we have

12 proposed to lift those sanctions. We have

13 regulations that will deal with that in a couple

14 of weeks. We hope that Iran is dry this year and

15 they will have a lot of cash and draft a contract

16 for that purpose. Iran could be one of wheat

17 importers this year. So if that goes through,

18 we've-- we have asked Congress to look at some

19 legislation to sustain this in the future.

20 On Cuba we think it's very important for

21 wheat and rice that our competitors and

22legislationandwhenIwassworninwecouldnot
23selltoCubauntilthelegislationhadchanged,
24andthereweresomeseniorsenatorsinCongress
25whodidnotwishtochangethatlegislation.

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1 So there has been a number of (inaudible.)

2 It would be very competitive (inaudible) selling

3 to Cuba (inaudible). You mentioned rice, wheat

4 and we would very much like to have that market

5 back and we need a legislative change in

6 Congress.

7 There are some changes made on some aspects

8 of the sanctions but on Cuba there is not much

9 progress. That does represent your wheat sales

10 and rice sales?

11 MR. SULLIVAN: We need it because

12 (inaudible) return from Cuba as I said they have

13 some products. They have a lot of lobster and a

14 lot of citrus. I know none of the farmers that I

15 know of have ever (inaudible) so we would like to

16 swap some rice and wheat for lobster.

17 MR. MANNING: Thank you, Pat. Nolan

18 Canon is farmer from Tunica County, Mississippi.

19 He's here representing U.S. Rice Producers

20 Association. He's vice-president of that group.

21 MR. CANON: As my fellow bulldog and

22 friend, Earl Manning just stated, my name is

23 Nolan Canon and I'm a rice farmer in Mississippi,

24 before I get started with my testimony,

25 Under Secretary Schumacher, when you were showing,

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1 your graphs and charts up here on the board here
2 before dinner, I couldn't help but remember back
3 to the mid 80's and how at that time I thought
4 that it looked like agriculture, and specifically
5 production agriculture was starting to turn into
6 a poverty issue.

7 Well as Casey Stingle, Yogi Berra one of
8 those Yankee managers said, I'm having déjà vu all
9 over again. Anyway we hope that's not the case
10 in the coming years.

11 I currently serve on the board of the
12 Mississippi Rice Producers Legislative Group, the
13 Mississippi Rice Promotion Board, the Mississippi
14 Rice Council and Vice-Chairman of the Board of
15 Directors of the U.S. Rice Producers Group.

16 I appear before the panel today on behalf
17 of the U.S. Rice Producers Association. The rice
18 producers were formed by rice farmers in the
19 States of Mississippi, Missouri and Texas in
20 order to provide all rice producers with a farmer
21 friendly organization that represents only the

22interestsofricefarmers.

23TheRiceProducersAssociationisdedicated

24toprovidingthenation'sricefarmers,andonly

25ricefarmers,withavoiceinmattersaffecting

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1 their ability to profitably market their crop.
2 We commend the USDA and USTR for its
3 foresight in holding these series of public
4 listening sessions around the country in order to
5 review the many issues raised by the upcoming
6 1999 WTO negotiations.
7 We are hopeful that by working with this
8 panel of other enlightened policy makers over the
9 coming months, we can avoid the types of mistakes
10 made during prior trade negotiations that allowed
11 discriminatory treatment of certain types of U.S.
12 rice.
13 The recent appointment of members of the
14 U.S. Producers Association on the Department of
15 Agriculture Policy Advisory Committee and
16 Agriculture Technical Advisory committee gives
17 the rice farmer an important voice.
18 Specifically, the U.S. Rice Producers
19 Association is concerned that our trade policies
20 discriminate against the export of rice in its
21 most basic form, as rough rice.

22 Rough rice, sometimes referred to as paddy

23 rice, is rice in the form harvested from the

24 field. This is also the form that rice is in

25 when it leaves the farm gate. Thus, the price

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1 that many farmers receive for their rice is
2 determined by the demand for rice in its rough
3 form.
4 There is, of course, an active domestic and
5 world trade for rice in its milled (white) and
6 semi-milled (brown) forms. However, export
7 markets for rough rice have become increasingly
8 important during the last few years.
9 Discussions between our government and the
10 rice industry during and since the consideration
11 of the Uruguay Round of the General Agreement on
12 Tariffs and Trade have centered on the interests
13 of rice industry officials whose primary
14 interest was to enhance export of milled rice.
15 While some of the benefits of exports of
16 U.S. Milled rice flow through to rice producers,
17 there are a number of export markets that present
18 opportunities that are specific to rough rice.
19 Our trade policies and export programs must
20 accommodate these market realities.
21 Unfortunately, in the past this has not

22been the case. As an example, the management

23system initially proposed by the United States

24for the tariff rate quotas, (TRQ) for rice,

25granted to the United States by the European

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1 Union (EU) under the US/EU Enlargement Agreement
2 of 1996, did not include provisions to address
3 rough rice exports.
4 Fortunately, the Department of Agriculture
5 worked closely with the Rice Producers
6 Association to ensure that the final TRQ
7 management system was farmer friendly and did not
8 discriminate against rough rice exporters.
9 In a similar case, the U.S. rice milling
10 interest played a pivotal role in negotiation
11 with the EU the current Cumulative Recovery
12 System (CRS) applicable to EU rice imports. The
13 CRS imposes a system of tariffson EU imports of
14 U.S. rice that discriminates against rough rice
15 exports.
16 The CRS was introduced for a trial period
17 following the Uruguay Round of WTO negotiations.
18 Like the previous TRQ issue, this system was an
19 attempt to benefit a few rice mills at the
20 expense of others, especially rice producers.
21 Like the TRQ, the CRS was formulated and promoted

22 as an industry endorsed policy.

23 This would not have occurred had all

24 producers known that it completely ignored drought

25 rice. Certain U.S. mills and the organization

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1representingthemwereapparentlyconvincedthat
2theCRSwouldallowthemtocapturemoreofthe
3EURicemarketbyconvertingitfromabrownrice
4toamilledricemarket.

5Thismill-orientedartificialsystem
6replacedthecalculatiooftariffspreviously
7levies,basedonroughricewithamore
8artificialonewherethereferencepriceisbased
9onbrownandnowonebasedonacompositeof
10brown,brownparboiledrice.

11Duelargelytothissystem,U.S.Ricesales
12aredownconsiderablyandourmarketsharehas
13declined.RicefromThailandisreplacingU.S.
14ricebecauseoftheabilityofimporterstoclaim
15arebateonThaifragranrice,whichisnot
16availableformostformsofUS.rice.

17Furthermore,practicallynoU.S.roughrice
18isbeingsoldtotheEU.Priortothe
19introductionoftheCRS,roughricecouldbe
20importedbecauselevieswerefarlowerthanand
21proportionaltothecost,qualityanddegreeof

22millingforleviesofotherformsbeingimported.

23TodaytheCRScalculateddutyonrough

24rice,forexample,isequaltoorhigherthan

25thatforbrownrice.Nowhereintheworld,or

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1 previously in the EU, are duties for rough rice
2 higher than those for brown or milled rice. This
3 is an economic anomaly.
4 According to European trade sources, this
5 disparity occurred because rough rice was not
6 considered separately in GATT negotiations, which
7 constrained rough rice from being a part of the
8 CRS.
9 EU importers complain that such a system
10 makes rough rice imports noncompetitive. By
11 eliminating the CRS that discriminates against
12 imported rough rice, some Europeans feel that U.S.
13 rough rice could displace Thai rice in the EU
14 market.
15 The CRS should be eliminated or modified to
16 include equitable treatment for rough rice. We
17 support a system whereby tariff coefficients for
18 all forms are based on a more transparent rough
19 rice reference price.
20 This would support all forms of U.S.
21 exports fairly and logically. It would allow

22U.S.roughricetocompeteonalevelplaying
23field.ItwouldprovideU.S.exporterswitha
24productthatcancompetewithAsianrice
25supplies.

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1 It would eliminate the extensive
2 administrative rigors associated with analyzing
3 invoices in determining CRS rebates, and it would
4 allow us to better service the needs of all
5 buyers, many that feel betrayed by the current
6 system. We urge this panel and other
7 policymakers to review this counterproductive
8 policy.

9 Rice farmers have learned a hard lesson
10 from experience with the US/EU agreements
11 regarding the TRQ and CRS policies. The lack of
12 direct farmer participation in the formulation of
13 rice trade policies allowed rice processors to
14 occupy the policy field.

15 We now understand that it is naïve to
16 expect that rice millers have any real incentive
17 to promote the export of rough rice. It might
18 also reduce the supply and drive up the cost of
19 the rice miller's raw input.

20 Rough rice sales are key to the
21 profitability of rice farmers. Because of their

22vestedinterestinreceivingthebestprice

23possibleforriceatthefarmgate,ricefarmers

24canbeexpectedtoaggressively,effectively

25promotethesesales.

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1 Our trade policies and export programs need
2 to reflect this simple reality. With these
3 realities in mind, we recommend that this panel
4 and other policymakers fight for the following
5 policy goals in order to liberalize the trade in
6 rice during the upcoming WTO negotiations:
7 Policy officials need to be cognizant that
8 rice is not a homogenous commodity. Policy
9 initiatives affecting rice need to carefully
10 consider and address all forms and types of rice;
11 assure that countries with current minimum access
12 commitments for rice, (Japan, Korea and other) as
13 well as countries which may soon have minimum
14 access commitments (China, Taiwan and others)
15 purchase U.S. rice.
16 Arbitrate changes in the EU's rice import
17 policy and insist on equitable treatment for all
18 forms and types of imported rice; strongly oppose
19 GATT/WTO illegal trading arrangements as well as
20 tariff regimes in regional trade blocs that
21 disadvantage U.S. rice producers.

22 As an example of the latter, Brazil allows

23 the duty-free import of rice from other Mercosur

24 countries, while the U.S. Rice is assessed duties

25 of up to 22 percent. Others such regional trade

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1 blocs include EU/Turkey and Mexico/Argentina.

2 Strengthen the enforcement of WTO

3 prohibitions against the use of non-tariff trade

4 barriers for rice, such as the imposition of

5 scientifically unsound phytosanitary trade

6 restrictions.

7 In conclusion, America's rice farmers are

8 not asking for anything more than equitable

9 treatment from the upcoming WTO negotiations, or

10 from any other international trade discussions.

11 The United States is now one of the premier

12 rice markets for Thailand, or chief overseas

13 competitor. Thailand has grown to expect open

14 access to markets in the United States and

15 elsewhere for its special aromatic rice.

16 Our rice producers members ask only that

17 the United States government work aggressively

18 with us to maintain and expand similar open

19 markets for all forms and types of U.S. rice

20 throughout the world marketplace.

21 Thank you again for the opportunity to

22offertheviewsoftheU.S.RiceProducers

23Associationontheseveryimportantmatters.I

24willtryandfieldanyquestionsthepanelmay

25have.

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1MR.SCHUMACHER:(inaudible)--it

2wasveryclear,verypreciseandweappreciate

3it.

4MR.MANNING:Thankyou.Inthe

5interestsoftimeandtogetasmanycommentsas

6possible,thereisnobreak,noofficialbreak,

7scheduledforthislisteningession,butthe

8coffeeisavailableupinthe foyer.

9Dothepanelmembersneedaquickbreak?

10(Shortbreak.)

11MR.MANNING:Nextpresenteris

12HarryFulton.HeisrepresentingtheMississippi

13Beekeepers.Heisahoneyproducerandhe'shere

14fromMississippiState,Mississippi.

15MR.FULTON:Thankyou,Earl.It's

16beenalongdayandIforgetonespeakerthis

17morninghadbeenfromLouisianaand(inaudible

18harvester;isthattrue?Well,wecan'twaitto

19getyouonabeehive.

20Itisagreatpleasureformetobehereto

21presentthecaseofthebeekeepingindustry.I

22personallydonotknowanythingabouttradelaw,

23tradenegotiationsortradeagreements,butI'm

24heretopresentapleaforourindustry.

25IhaveanumberofexhibitswhichareI

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1 probably won't discuss today for timesaver, but
2 they are in the written presentation I presented.
3 Beekeeping has been fighting an influx of
4 cheap, imported honey for a number of years.
5 Beekeeping is labor intensive and that's one of
6 the reasons I want to get you folks over here in
7 a beehive. With the current standard of living
8 and the high cost of production in the U.S., it's
9 very difficult to compete on an international
10 market.
11 Costs of producing honey in the U.S. and
12 Mississippi is currently ten percent or more
13 higher than in income. In other words, the industry
14 is going to go broke if something is not done
15 correctly.
16 Right now most beekeeping operations are
17 operating on the equity built up in 1980 and
18 early 1990's when it was profitable. Thank
19 goodness most of the equipment they use, the
20 hives themselves and processing equipment, have a
21 long life and you can imagine when this wears out

22what'sgoingto happen.

23Let'slookatprices.Wholesaleprices

24paidtheproducerinMississippiforthe1998

25honeycrophavedroppedatleast20percentsince

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1 1997, and as whole nation wide 13 percent and
2 worse yet, prices are still declining in 1999.
3 Right now in Mississippi 46 cents a pound
4 is the best looking gift for our lower grades of
5 honey and usually in Mississippi we reduced the
6 lower grade of honey. That can be compared to
7 over 80 cents a pound in 1997 for the '97 crop.
8 Prices not paid to importers is about 45
9 cents and the industry can find no reason except
10 that imported honey has taken away the market and
11 depressed prices.
12 Generally the demand for honey in the U.S.
13 is increasing due to the efforts of the National
14 Honey Board, but right now I guess you could say,
15 well, the producers that are organizing the
16 National Honey Board could help pay for it, help
17 pay the assessment. I must say that importers
18 are paying assessment, too, and the packers.
19 They're not giving--the producers are not
20 receiving the dividends of their efforts.
21 In 1994, 1995, the U.S. industry spent

22approximately500thousanddollarsinlegalfees

23alonetowinanantidumpingsuitagainstthe

24Chinese.Atthattimeimmediatepricesincreased

25toalevelwherebeekeepingwasprofitable.

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1 Still, yet, we have an annual bill of over
2 250 thousand dollars for legal fees just to
3 monitor the suspension agreement with China which
4 happens to expire next August, not this coming
5 August but August 2000.
6 Now once you know that occurs Argentina
7 jumps into the market in a big way and there is
8 some evidence that they are now, too, violating
9 the U.S. trade laws and the industry would be
10 forced to spend another 300 to 500 thousand
11 dollars in legal fees to fight in a government
12 campaign for these countries to buy.
13 Both of these countries consume very little
14 honey but they're very big players in the
15 market. They produce a lot.
16 As proof that imports affect our
17 marketability, all we have to do is look at the
18 USDA's statistics. Pay attention. Carry over of
19 the 1998 honey crop was at 80.8 million pounds.
20 That's 37 percent of the crop and that's an
21 increase of 14 percent from 1997.

22Sofarin1999carryover--excuseme,

23currentimportsofthefirstquarterof199935.3

24millionpounds,whichiswellabovelastyear's

25rateofimports.

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1 And listen, assessment which importers and
2 producers pay on honey in 1997 were 57 percent of
3 all assessments collected. In other words, all
4 commercial honeys sold in this country 57 percent
5 of the assessment on imported honey in 1997
6 that was increased ten percent from 1996.
7 So 42 percent of all honey assessments were
8 produced in honey in this country. We're capable
9 of producing 220 million pounds of honey in the
10 U.S., as evidenced last year. That's 63 percent
11 of the U.S. consumption, about 350 million
12 pounds.
13 So we can see where we have at least 20
14 percent of our crop that we have to find a market
15 for overseas or even hold over. Unfortunately,
16 our exports are one, one-half percent. So we
17 need some improvement.
18 We need some help on the international
19 market finding a market for our honey here if
20 we're going to allow imported honey to take our
21 market in this country.

22 That's not easy because most of the other

23 countries have very high tariffs. We've heard

24 that mentioned quite a few times.

25 Right now our producers in the country are

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1 forced to hold their honey placed in a
2 nonrecourse loan at a price that's below the
3 breakeven point.
4 They still have to pay a point nine percent
5 per pound service fee and interest rate on top of
6 that, and then they have to pray that they can get a
7 price of at least 59 and a half cents a pound so
8 they can pay their loan back.
9 In closing the Mississippi Beekeepers
10 Association and, of course, the National
11 Organization, request that the U.S. trade
12 official stake a tougher stand on honey that's
13 found to be in violation of trade laws at our
14 ports of entry.
15 It should be seized and/or destroyed so
16 they cannot find their way back into our channel
17 of trade. We would like to remind you people of
18 the importance of maintaining a viable beekeeping
19 industry storage for agriculture production
20 because many, many of our crops in the food
21 items that we depend on, need honey bees for

22pollination.

23Mostofthewildpopulationofbeeshave

24beendestroyedbyparasiticmites,sowehaveto

25dependonourdomesticatedhoneybees.

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1 To summarize, the demand for honey
2 increases. The amount of honey being imported is
3 increasing drastically and beekeepers cannot make
4 a profit.

5 We need to find a way to increase exports.

6 One half percent of our crop is not a healthy

7 figure. Tariffs need to be lifted in other

8 countries and an international grade standard for

9 honey should be adopted.

10 Otherwise, the bottom line is that the

11 beekeeping industry will need relief from

12 imported honey.

13 One last comment, it's not understandable

14 that a depressed industry, the beekeeping

15 industry, must pay tremendous amounts of dollars

16 in legal fees to attempt to solve the problem

17 when the government could do it maybe with the

18 stroke of a pen. That's all. Thank you.

19 MR. MANNING: Thank you, Harry, and

20 we appreciate your respect to the ten minute time

21 limitation. Next up we have an Oklahoma dairy

22 farmer, Charles Wyrick. Here represents the dairy

23 Farmers of America that's placed in Kansas City.

24 MR. WYRICK: Good afternoon, panel.

25 I'm a dairy producer from the State of Oklahoma

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1andI'mpleasedtoappearbeforeyoutodayto
2testifyonthetopicofDFAagricultureandtrade
3prioritiesfrom--fortheWorldTrade
4Organizationnegotiations.
5DFA,DairyFarmersofAmerica,isalsoa
6memberofU.S.DairyExportCouncilandalso
7NationalMilkProducerFederationandinthearea
8ofexporttradepolicyworkespeciallyclosewith
9thoseorganizations.
10DFAaswellastheNationalMilkProducers
11FederationandtheU.S.DairyExportCouncilare
12committedtoexpandingtheexportsofU.S.dairy
13productsthroughreductionofforeigntrade
14barriersandothermeasuresthathistory
15internationaltradeonmilkanddairyproducts.
16TheU.S.dairyindustryisthesecond
17largestcommoditysectorintheUnitedStates
18measuredbyfarmcashreceiptsof20billion
19dollarsperyearandisoneofthetopthree
20agriculturalsectorsinhalfofthe50states.
21Inaddition,dairyprocessorsputthe

22annualretailvalueoftheindustryat70billion

23dollarsperyear.Despitethelargesize

24domestically,theindustryisarerelative

25newcomerstointernationaltrade.

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1 What we have learned in our relatively
2 short export history is that American dairy
3 producers can and do perform successfully in
4 markets where there is a level playing field and
5 where traded distorting practices do not hamper
6 our ability to compete.
7 In fact, the industry's slow and difficult
8 emergence into international systems from the fact
9 that dairy is one of world's most protected
10 subsidized industries.
11 When the Uruguay Round was deadlocked over
12 agriculture, the U.S. dairy industry made many,
13 many key concessions so that an agreement could
14 be reached. We also recommended that GATT
15 negotiations never attempt to control the kind
16 and level of agriculture subsidies and most rules
17 were brand new.
18 Today agriculture has a history in the WTO
19 and we must ensure the next round serves first to
20 revise the rules that have not worked.
21 By the same token, the dairy industry is

22very supportive of this Administration's effort

23to further reduce trade-distorting practices in

24agriculture. We are prepared to do our part to

25accomplish that goal.

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1 However, both dairy producers and dairy
2 processors firmly believe that we must first
3 level the playing field with respect to subsidies
4 and market access between the U.S. and other WTO
5 member companies, especially the EU, Canada and
6 Japan. Dairy will not give further concessions
7 unless we are given equal treatment.
8 Obviously the next round must build on the
9 accomplishments of the Uruguay Round. The U.S.
10 dairy industry strongly supports the next round
11 of WTO multilateral negotiations and believes
12 that the U.S. should focus on these priorities:
13 Eliminating dairy--eliminating export
14 subsidies; creating real assets for the reduction
15 of tariffs and eliminating all non-tariff
16 measures. The U.S. Government should also pursue
17 the revision of current rules to close loopholes
18 that allow countries to evade their WTO
19 commitments.
20 We believe the U.S. Government in the
21 upcoming ground of negotiations should address the

22followingissues:

23Theeliminationbydateofallremaining

24useofdairyexportsubsidies.Exportsubsidies

25areextremelycommoninworldtrade.Whenthe

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1 current agriculture agreement is fully phased in
2 next year, it will permit almost 60 percent of
3 projected dairy world trade to be subsidized.
4 And the distribution of these subsidy
5 allowances is highly skewed. On the equivalent
6 basis the EU accounts for fully 782 percent of
7 these subsidy allowances while the U.C. accounts
8 for just three percent of them.
9 The use of export subsidies is the primary
10 factor that keeps the world domestic prices
11 depressed below domestic prices and hobbles the
12 expansion of sustainable, commercial U.S. dairy
13 exports.
14 If subsidies are not eliminated or if the
15 new agreement calls for an extended phase-out
16 period, America's dairy industry will continue to
17 suffer from the extreme imbalances in the WTO
18 permitted subsidies that now impede the
19 competitiveness.
20 Moreover, the dairy industry would not be
21 able to support further liberalization on market

22accessandinternalsupport.

23Two,substantialincreasesinrealaccess

24throughreductionofremainingtradebarriersto

25U.S.dairyexports.

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1 Let me give you an example of the kind of
2 barriers American dairy products face. The
3 European Union, the world's largest dairy market,
4 is able under its WTO commitments to impose
5 tariffs at a rate of about 240 percent against
6 all but very limited quantities of cheese, an
7 important U.S. Dairy export product.
8 Canada, our largest trading partner,
9 imposes a tariff on U.S. Cheese at a 245 percent
10 rate. Japan, which is a major net importer of
11 dairy products, has relatively open markets for
12 certain products, but may hold the record tariff
13 for a dairy product. It's WTO final bound tariff
14 for butter represents a rate equivalent of about
15 1,075 percent of current world prices.
16 The U.S. also maintains tariff barriers
17 against dairy imports, but not at levels as high
18 as these. Moreover, all in-quota tariffs are low
19 and provide real market access. This is not the
20 case with other WTO members.
21 This Administration must first guarantee

22thatuponimplementationofthenextWTOrounds,

23countrieswillcapordinarytariffsandharmonize

24tariffquotas(TRQ).Anyfurther

25reductionsinremainingbarrierstodairymarket

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1 access must be both meaningful and balanced.

2 The U.S. industry recognizes that it must

3 give access to get access. Yet, unless all

4 countries participate in tariff reduction is,

5 especially the highly protected markets that

6 facilitate very high domestic prices through both

7 small quotas and very high over-quota rates, the

8 U.S. will remain the primary market for lower

9 cost suppliers.

10 Therefore, change to the current situation

11 allowing significant new access to the U.S.

12 Market while reducing only the unnecessarily

13 excessive portion of extreme tariffs elsewhere,

14 thus providing no new U.S. export access. Would

15 be unacceptable.

16 In order for U.S. dairy producers and

17 processors to continue their support for the

18 concept of free trade, the U.S. government,

19 working through the WTO, needs to work to promote

20 fair trade.

21 Future trade negotiations cannot result

22onlyinunilateralconcessionsmadebyour
23government.Anyfurtheropeningofourmarket
24mustbematchedwithenforceableandusable
25accesstoevenmoreprotectedmarkets,suchas

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1 Canada, the European Union and Japan.

23.) Continued reduction of all production

3 related domestic supports.

4 The EU already produces up to 15 percent

5 more milk than its domestic market requires, and

6 thus large surplus drives its continued heavy use

7 of export subsidies.

8 Expanding the EU's milk production quotas

9 will make it more, not less, difficult for the EU

10 to agree to eliminate subsidies and provide

11 meaningful new access to its dairy markets.

12 We support the U.S. Government position to

13 tighten the rules on domestic support in order to

14 ensure that support to rural communities is not

15 used to defend production gluts that distort

16 trade and prices.

17 Moreover, we believe that the expiration of

18 the Peace Clause in the Uruguay Round Agreement

19 on agriculture provides the U.S. with an

20 opportunity to press other nations, especially

21 the EU, to reduce the set trade distorting

22subsidies.

23Numberfour,improvedtransparencyand

24disciplinesonthetrade-distortingeffectsof

25bothimportandexportstatetradingenterprises

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1(STE"S.)

2ExportSTE'sprovideddefactoexport

3subsidiesthroughtheirabilitytoprice

4discriminatebetweenhighandlowvaluemarkets

5andtheirabilitytokeeptheirtransactions

6private.Indairy,theNewZealandDairyBoard

7isthemostconspicuousexample.

8TheU.S.dairyindustryfavorsthe

9ofcommitmentsthatwouldrequireincreased

10transparencyintheoperationsofbothimportand

11exportSTE'saswellasdisciplinesonthe

12activitiesofSTE'sthattrulydistorttrade.

13WithregardtothenewWTOnegotiations

14themselves,theU.S.dairyindustrysupports

15structuringthenegotiationsasasingle

16undertakingencompassingallsectors,asopposed

17toasector-renewalassoonaspossibleof

18fast-tracknegotiatingauthoritytoachievea

19timelyoutcomethatfurtherreducesdistortions

20tointernationaldairyandagriculturaltrade.

21Panel,Iappreciatetheopportunityto

22speakwithyou.Ifcelalotofresponsibility

23standingheretryingtorepresentmyfellowdairy

24farmers.Ihopemytestimonyweighsheavywith

25youall.Thankyou.

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1MR.MANNING:Thenextpresenteris

2KennethHoodafarmerfromGunnison,Mississippi,

3andherepresentstheMississippiFarmBureau

4Federation.Kenneth?

5MR.HOOD:Thankyou,Mr.Chairman.

6IappreciatetheinvitationtobehereandIknow

7mosteverythingthatIhavehasbeensaid.I've

8justgettosomebulletsbrieflyonsomeofthe

9points.Thereisacopyofmytestimonythatyou

10canfollowmethroughwith.

11IamrepresentingtheMississippiFarm

12BureauandmostofyouknowIamaproducerin

13Mississippi,also.ButMississippiFarmBureau

14representsover212thousandmemberfamilies.

15Mississippiisverydiverseinagriculture

16asmostofyouknowliketheotherstatements

17thathavebeenheardbeforeme.Theydependon

18accesstocustomersaroundtheworldforthesale

19ofnearlyabilliondollarsworthoffarm

20commoditieseachyear.

21Formanyofourcommoditiestheglobal

22marketisaprimar ydeterminantofcrops.

23Mississippiisanetexporterofagricultural

24productsandthuscontributestoreducethe

25nationaltradedeficit.

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1 When Congress passed the 1996 Freedom to
2 Farm Act, it phases out farm price supports as we
3 know. It made U.S. agriculture more dependent on
4 the world market. American farmers and ranchers
5 produce an abundant supply of commodities far in
6 excess of the domestic needs and their
7 productivity continues to increase.
8 (Inaudible) progressive everything the Good
9 Lord (inaudible) is the only way we would be able
10 to survive. But exports, our exports are the
11 source of the future and without that we'll have
12 very little growth in sales and income will go to
13 zero.
14 As you're well aware, U.S. agriculture is
15 reeling because of low commodity prices. The
16 Mississippi crop receipts fell 21 percent in
17 1998. That's one yield compared to 1997.
18 Receipts from soybeans, which is our largest crop
19 in terms of acres, fell 34 percent.
20 For the first time in recent history
21 expected prices in 1999 are below the state

22averagecostofproduction.Notinonecropbut

23forallmajorcrops.

24Thisismy39thcrop.Thisisthefirst

25timein39yearsIsitdownwithapieceofpaper

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1 and pencil and I cannot show a profit on any crop
2 that I normally bring. My own hope is a high
3 yield because future prices, it doesn't look like
4 it's going to increase fast enough.
5 Another alternative would be unexpectedly
6 a re-opening of U.S. open markets which is the
7 most important thing that I can see right now
8 than it's ever been before.
9 Mississippi agriculture's long-standing
10 history of balance and trade services will not
11 continue if we are relegated to the sidelines as
12 new negotiations in agriculture remains. We have
13 to be very proactive.
14 If the United States now leaves too others
15 to form new trade pacts and write future rules
16 for trade, the U.S. producers, the processors and
17 exporters will be severely disadvantaged in the
18 competitive marketplace of the 21st Century.
19 We're counting on this administration and
20 Congress to ensure that the U.S. and Mississippi
21 farmers and ranchers have a significant place at

22thenegotiatingtable.We havetobearmedwith

23thetoolsthatweneedandthat'sgoingto

24includethetradenegotiationauthoritiesthat

25we'vebeentalkingaboutheretoday.

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1 To this end, U.S. negotiators must
2 comprehensively address high tariffs, trade
3 distorting subsidies and all the other trade
4 practices in the new round of negotiations on
5 agriculture.
6 What are some of these other practices I'm
7 talking about? First, Mississippi Farm Bureau
8 supports expediting action on the next round for
9 agriculture in the WTO. Our market is the most
10 open in the world. We cannot sit idly by while
11 the competitor trades openly in our market but
12 deny us access to their markets on equal terms.
13 Second, we support a single undertaking for
14 the next round where in all negotiations conclude
15 simultaneously. This format will prevent other
16 countries from leaving the difficult agriculture
17 negotiations until the bitter end. They sit
18 there and cherry pick the easier negotiations in
19 other sectors. I think you should not let that
20 happen.
21 Third, we must call for the elimination of

22exportsubsidiesforallWTOmembercountries.

23Ourproducers,meincluded,cannotcompete

24againstthemountainousspendingbyourprimary

25competitorsliketheEU.

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1 The EU spends in excess of eight times the
2 level of domestic export subsidies of the United
3 States. How do they do get buy with it?
4 Just to give you some small examples,
5 water. You didn't think that much about water.
6 Irrigation water costs me about seven and half
7 dollars per acre each year. They subsidize their
8 irrigation (inaudible.) They subsidize their
9 fertilizer and seed. I have to buy my fertilizer
10 and seed. They say it's not subsidized but
11 they are. I think you need to take notice of
12 this.
13 Cotton is my major crop. Cotton is one of
14 the our important commodities in our state.
15 Domestic subsidies for the production of cotton
16 in Uzbekistan, China, Pakistan and elsewhere,
17 distort world markets and pit our private
18 producers against national treasuries. We have
19 efficient producers, but they must have access to
20 a level playing field.
21 Four, we believe that new negotiations must

22includeinarecommitmenttoabindingagreement

23toresolve thesanitaryandphytosanitaryissues

24basedonscientificprinciples.Wetalkedabout

25thatalottodayalready,soIwon'tmentiona

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1 whole lot on that.

2 But I do want to mention this, any change

3 to the SPS Agreement will expose the sound

4 scientific principles that's now imbedded in the

5 provisions. Now that's what EU wants to

6 change some of those and they'll just relish that

7 to restrict revenue facilitator trade. So I

8 think we need to be very cautious on that.

9 Fifth, then the strands should result in

10 tariff equalization and increased market access

11 by requiring U.S. trade to eliminate tariff

12 barriers within a specific time frame. All WTO

13 member countries reduce tariffs, both bound and

14 applied, in a manner that provides commercially

15 meaningful accession on an accelerated basis.

16 Six, we must impose disciplines on state

17 trading enterprises that distort the flow of

18 trade in world markets. Every effort that should

19 be made to design an agreement that sheds light

20 to practices of the way they practice and end the

21 discriminatory practices. Our producers have

22losttoomanysalesinthirdcountrymarketsdue

23tothenoncompetitive,nontransparentoperations

24ofSTE's.

25Seven,wemustensuremarketaccessfor

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1biotechnologyproductsproducedfromgenetically
2modifiedorganisms.Wetalkedaboutthatsome
3thismorning.
4Next,wemustendtheuseofalltariff--
5nontariffbarrierstotrade.Thesepractices
6includebutarenotlimitedtodomestic
7absorptionrequirements,discriminatorylicensing
8procedures,pricebandsandadministrationof
9tariffratequotasthatpreventtruecompetition.
10Finally,ournegotiatorsmustmakechanges
11totradingpracticesthatwouldfacilitateand
12shortendisputeresolutionproceduresand
13processes.Thereisnoreasonwhyitshouldtake
14twothreeyearstosettleadispute.Ifyou
15losetwoyearsofmarketingopportunities,you've
16lostital.Thatshouldnotbeallowedto
17happen.
18ThefutureofMississippiagriculture,
19whichimpactsoveronefourthofourstate's
20economy,istieddirectlytoopenandgrowing
21worldmarkets.Theseeightpointsaddressedwill

22certainlyhelpusinthat.

23Mr.Secretary,afewmonthsagoIvisited

24inyourofficeandIrememberonethingyou

25said.Weweretalkingaboutotherissues,of

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1 course, but remember that freight train you said
2 was coming down the track and you were sure it
3 was going to wreck? The only thing I can see any
4 different in that now is that it's a much longer
5 freight train with a lot of box cars added to it
6 and it's going to be a much bigger wreck if we're
7 not careful.

8 I think the United States has a tremendous
9 opportunity before it to the world, to be as the
10 producer. To the industry that we are committed
11 to opening new markets for U.S. agricultural.
12 That concludes my remarks. Thank you,
13 Mr. Chairman.

14 MR. MANNING: Our next presenter is
15 Bob Good who represents Tyson Food from
16 Springdale, Arkansas.

17 MR. GOOD: Thank you and I
18 appreciate the opportunity to address you on a
19 little bit different subject of poultry, and,
20 Earl, since I'm not a Rebor Bulldog, I'm
21 completely unbiased, but I heard a rumor that

22when the tornado came Ole Miss campus, it blue

23down the barn.

24They found three human skeletons when they

25started cleaning it up and they just returned

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1 the yesterday by dental records and (inaudible)
2 that those three guys were the women of the 1952
3 hide and go seek contest.
4 I hope I won't take but a few minutes of
5 your time. I just want to reiterate a few things
6 that have happened in the poultry industry in the
7 last three years. Earl said I represent Tyson
8 Foods. I really represent the poultry industry.
9 I worked for Tyson Foods and tried to
10 retire two years ago. They keep me on ten days a
11 month to attend meetings and negotiate, so forth
12 and soon, and I'm having the time of my life.
13 I'm supposed to be retired but I work ten days a
14 month for them and ten days a month for my wife
15 and I try to form ten days a month.
16 I have four poultry farms over in Arkansas
17 and a timber farm here in Tennessee. So it keeps
18 me a little bit busy. I'm also a member of
19 Tennessee and Arkansas Farm Bureaus and I'm on
20 the Arkansas Livestock and Poultry Commission
21 which is the livestock counterpart of the plant

22board.

23The livestock and poultry commission and

24the plant board makeup which part of agriculture

25if we had one in Arkansas. So I don't know who I

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1helpbutI'mgoingtellyouaboutthepoultry
2industry.
3Ialmostfeellikepassingtheplate
4becauseeverybodythat'sspokentodayweuse
5somethingoftheirproductsexceptcotton.We
6usericemealinchickenfeed.Weuse6.5
7milliontons,TysonFoods,uses6.5milliontons
8ofcornayearintheirfoods.
9Theyuse2.8milliontonsofsoybeanandwe
10usemeetandbonemealinfeedersandrice.We
11usewoodproductsforbedding.Wejustabout
12coveredeverythingsoI'maskingforsubsidyfrom
13youguystohelpusout.
14Upuntilafewyearsago18percentofthe
15poultryintheUnitedStateswasexported.About
16threeandfouryearsagoRussiasuddenlydecided
17fornoapparentreasonthattheyweregoingto
18embargoourUnitedStatespoultryandtheydid
19it.
20Foraboutfivemonthstheywouldnotbuy
21anyU.S.poultry.Throughsomereally,really

22negotiatingwithWashingtonwiththeUSDAand

23StateDepartmentandthepoultryindustryand

24severalotherpeople,whenVice-presidentGore

25finallytoldthemtheywoulddosixbillion

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1dollar singuaranteeloans,andtheUnitedStates
2wouldnotgobackatthem,withinaboutfour
3hoursthewholethingwaschanged.
4Sotherewasnoreasonforit.Theywere
5sayingthatourpoultryhadadiseaseandour
6processingplantswerenotsanitaryenoughfor
7them.Wesentthemaletter.
8Theycamebackandthepeopleinthe
9processingplantwerecoveredwithbloodand
10manureandtheywerestandinginentrailsupto
11theirkneesandthey(inaudible)theprocessing
12thepoultryeatenuptowithdiseaseand
13malnutrition,butourpoultrywasnotgood
14enough.
15Sowesupportonethousandpercenta
16sciencebasedcenter.Imean,wehavetohave
17it.Ifthatfromgoesbythewayside,we're
18sunk.Sofinallywegotthat.
19Aboutsixmonthslater,orsevenmonths
20later,Chinasawthereportthatwasabout18
21monthsoldthataostrichinOklahomahadbeen

22foundzeropositiveserologicalforavian

23influenza.Theyculturedthebird,theydid

24everything.ThebirdwasnotsickbutChina

25suddenlysaid,nomoreexportsfromtheUnited

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1 States because you have avian influenza.

2 We have not had avian influenza in our

3 customer's poultry, high-cap influenza, in our

4 commercial poultry crops since 1984. It was

5 eradicated. There's been some low path

6 (phonetic) in some white (inaudible) in

7 Pennsylvania.

8 For the past two years it's gone down and I

9 understand some low path was found in some ducks

10 down in Texas just a couple weeks ago but those

11 were destroyed. We do not have avian influenza

12 in our poultry.

13 But for about three months we were

14 embargoed for that. So the embargo itself from

15 Russia cost the U.S. poultry nearly 75 billion

16 dollars and the one from China cost us 27 million

17 dollars.

18 Now the embargo by Russia, that's just the

19 tip of the iceberg because leg quarters which we

20 exported to Russia were selling for 55 cents a

21 pound at that time, and with the Russia embargo

22 some sold for as little as 15 cents a pound. So

23 you hog people don't give me a sad story.

24 We had a terrible time. This went on for

25 five months and the price of leg quarters,

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1 they're still selling for 25, 28 cents a pound
2 and they were 55 cents a pound when the Russian
3 embargo came.
4 As we speak, Mexico has suddenly decided
5 that we have to test all our birds that we export
6 to Mexico. China made start testing all our
7 breeder stock. Our breeder stock was
8 intermingled with our broilers. So we had to test
9 our breeder stock every 60 to 90 days, 36
10 thousand tests last year on their breeders.
11 Now Mexico has come back and said, hey, you
12 have to test your broilers. If you're going to
13 export one pound of broiler meat from a flock,
14 you have to test 35 birds out of that flock and
15 it costs you 55 bucks.
16 So we're negotiating with them right now.
17 It looks like we've lost. So we're going to do
18 it until next April. Hopefully in the interim we
19 can negotiate them down so that we're disease
20 free so there's no need to do all these tests.
21 We can substitute the breeder testing for the

22broilertesting.Sofarthathasnotworked.

23Also,aswespeak,NewZealandhasalways

24keptusoutbysayingthattheyhavenodiseases

25intheirpoultryflocksandtheywouldonlylet

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1 use export to them canned or cooked product that
2 had reached a temperature of 160 degrees. That
3 is no problem with a cooked product.
4 But as of yesterday we had to have comments
5 in as to why we wanted to even export cooked
6 products to them because they ran a little study
7 somewhere in the world and found that 160 degrees
8 did not kill the bursal virus, which is
9 ridiculous.
10 We have all sorts of data that show that it
11 does. One hundred thirty, hundred and
12 twenty-five degrees would kill it. And we
13 maintain that they probably got (inaudible)
14 anyway, but we have no way of proving it.
15 But Tyson Foods alone amounts to about 28
16 percent of the production in the United States.
17 We place about 48 million chicks a week and
18 processed three percent, four percent less than
19 that, whatever that is.
20 So you can see that last year approximately
21 12 percent of Tyson Foods product was exported

22which amounted to pretty close to somewhere in

23the vicinity, and I'm sorry I don't have that

24figure. I was on vacation when I got a call to

25be here. I was logging over on my farm and I

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1camebyhereonmywaytoArkansas.

2Itcomesouttoaboutsevenhundredmillion

3dollarsayearinexportsandwehavetomaintain

4that.

5SoIaskyou,please,inyour

6negotiations--someonementionedittodayandI

7wanttoreiterateit--whenyousenda

8negotiator,pleasehaveanexpertortwofromthe

9poultryindustrygobecauseinthepastthe

10negotiationshavebeendoneandtheycomeback

11andtelluswhattodoandit'scompletelyoutof

12leftfieldandwecan'tdoit,butthere'saway

13todoitthatwouldbeextremelyreasonablefor

14us.

15Soaskacoupleofpoultryexpertsfromthe

16fieldoutheretogoandbewithyouassomeone

17sidsittingnexttoyourortwoorthreeseats

18backandwhentheystartaskingforsomething

19ridiculouswecantellthem,wecan'tdothat

20economicallybutwecandothisinstead.

21Iwanttoreiterate,forgoodnesssakes,

22 don't let those science based standards go.

23 We're sunk if you do. I appreciate very much

24 being here. Thank you.

25 MR. SCHUMACHER: Thank you very

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1much.

2MR.MANNING:MontyBohanon

3representingRicelandFoods.He'ssexecutive

4staff.

5MR.BOHANON:Iunderstandthat

6we'reprettyshortontimeandsoIwillmake

7thisfairlyshort.Iampleasedtobeheartoday

8togiveyouinsightsonthericeindustryviews

9regardingtradeandtradepolicythatiscritical

10toourindustry'ssuccess.

11IrepresentRicelandFoods,Incorporated,

12headquarteredinstuttgart,Arkansas.Riceland

13isafarmerownedcooperativeservingrice

14farmersinArkansas,Mississippi,Missouri,

15LouisianaandTexas.Ricelandmarkets

16approximately25percentofthenationalrice

17cropandabout30percentofthatgrowninthe

18South.

19Improvingtradeandtradepolicyareof

20utmostimportancetotheU.S.riceindustryto

21insurethatweremainviable.Thevolumeof

22 exports usually is the dominating factor in

23 determining the prices our growers receive for

24 their rice.

25 Although domestic U.S. rice consumption has

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1increaseddramaticallyduringthepast15years,

2exportscontinuetobeextremelyimportanttoour

4productionisexported.

5Lastyeartheindustryexportedriceto

7ricetomorethan50countries.The rice

8industryhashadsuccessfromrecent

10TheNorthAmericanFreeTradeAgreementhas

11givenourindustryaccesstoamarketthat

13NAFTAhastransformedMexicofromstatetrading

14ofricetoanopenmarketrestrictedonlyby

16theleadingexportmarketforU.S.riceduring

17thepastthreeyears.

19Japanagreedtoimportashareofitsdomestic

20consumptionfromtheoutsideworld.This

22U.S.riceindustry.

23WeatRicelandssupportcomplete removalof

24agriculturaltradesanctions.ProbablynoU.S.

25commodityorproducthassufferedmorefromU.S.

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1 tradesanctionsthanhasrice.

2 Threetimeswehavelostleadingexportsto

3 marketsasaresultoftheU.S.government

4 imposingsanctionsonexportstospecific

5 countries,Cubain1963,Iraqin1990andIranin

6 1995.

7 Asyouareaware,theadministration

8 recentlyeasedrestrictionsontradetocertain

9 countries.ThemostrecentbeingIran,Sudan,

10 LibyaonApril28.

11 Itisinterestingwhenonthisannouncement

12 weatRicelandreceivedamessagefromaformer

13 customerinIranaskingforpricequotesforU.S.

14 riceforexporttoIran.Undoubtedlymemoriesof

15 thetasteofhighqualityofU.S.ricestill

16 lingerinIran.

17 Unfortunately,thepolicyinitiatedbythe

18 AdministrationonApril28isnottheonewe

19 originallyanticipated.Itappearsasifthe

20 Administrationisintendingtoputinplacea

21 systemofexportlicensingfortradewiththese

22threecountries.

23RicelandseestheAdministration'sproposal

25theothermarketthattheAdministrationrecently

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2medicine. However, we can only export rice to

3Cuba if we can find a commercial buyer there.

5market in Cuba, only state trading which leads me

6to another objective, the World Trade

8trading enterprises.

9State trading enterprises maintain controls

11from participating in rice importation. This

12prevents U.S. exporters from having direct access

13to viable markets. This distorts trade and puts

14U.S. rice exporters at a serious disadvantage in

15several key markets.

16The elimination of preferential tariffs is

17also important to the U.S. rice industry. Most

18notably, Uruguay and Argentina's duty-free access

19to Brazil's rice market while U.S. exports are

20subject to applied tariffs.

21Uruguayans suppliers also enjoy duty-free

22accesstotheMexicanricemarket.Duetoa

23preferentialbilateralagreementnegotiated

24betweenUruguayandMexico,theNAFTAparters

25whichUruguayisnotapartof,arestillata

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1disadvantageintheMexicanricemarket.Similar
2unfairtradingpracticesareprevalentthroughout
3theCentralandSouthAmericanricemarkets.
4Anotherimportantissuethatweseeinthe
5futureisbiotechnologyasitpertainstorice.
6Ricelandsupportsbiotechnologybutrealizeswork
7needstobedoneforGMOpproductstogainmarket
8acceptance.
9RicelandseesWTOnegotiationswiththe
10EuropeanUnionascriticaltopreventgenetically
11modifiedricefrombeingrestrictedfromthis
12marketasotherGMOCropshavebeen.
13Finally,Iwouldliketomentionthat
14Ricelandsupportsagriculturebeingincludedin
15comprehensiveWTOnegotiations.Underno
16circumstancesdoweseebenefitsfromagriculture
17beingseparatedoutduringnegotiations.Thank
18you.
19MR.MANNING:Nextpresenteris
20BruceFriedman,presidentofSouthState
21Forwarding.

22MR.FRIEDMAN:Greetings.Myname

23isBruceFriedman.MycompanyisSouthernStates

25exports.Andfirstisprimarilygearedtoward

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2 closetome.

3 As a quarterly process on average 205 issue

5 issued by the U.S. Department of Agriculture and

6 the Texas Department of Agriculture. It would be

8 (inaudible) certificates.

9 At 40 dollars a piece, 50 dollars a piece we

11 Texas 9200 dollars a month, or 8000 dollars a

12 which would be revenue to the State of Tennessee

14 (inaudible.)

15 There is no great inspection called for

17 compliance and it would make it a cost benefit to

18 you and a speed benefit to me.

20 certificates are the rules. If cotton comes from

21 an area free of the pink bollworm, why does it

22havetobefumigated.

23Wehaverulesunderexcerptthatstatethat

24cottonmightnotneedtobefumigatedifit's

25goingtoPeru,butit'sdependentuponanimport

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1 permit from China or Peru or Pakistan, whatever
2 that import permit states supersedes whatever we
3 have in phytosanitary rules and regulations.
4 If I'm trying to advise the seller what to
5 do, I don't know exactly what's going to happen
6 until active letter of credit has been opened and
7 that import permit is finally issued.
8 It's a barrier to trade that makes a seller
9 afraid to sell if he finds out after the fact
10 that it's going to be vacuum fumigated under
11 federal inspections as compared to fumigation
12 at all.
13 I would also like to see whether we're
14 importing or exporting cotton, if a bale is
15 improperly depressed to 23 or 28 pounds per cubic
16 foot, I would like to see the whole fumigation
17 issue being thrown out.
18 There is no way an animal can survive
19 inside that kind of depression and if there's a
20 boweevil outside the bale, it's going to be
21 obvious when you're reloading or unloading, which

22isexpected,andatthatpointtheindividual

23USDAofficerorwarehousecanrejecttheloadand

24haveitsentforfumigation.ThereareUSDA

25officersinthe fieldwhohavesuggestedthisto

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1meandaskedmetobringitup.

3forisyoutoconsiderrefundingsteptwoprogram

4whichwillhelpexportsincotton.

6time.Doyouhaveanyquestions?

7MR.SCHUMACHER:We'llbegladto

9phytosanitarycertificates.Thatdoesmakea

10wholelotofsense.Iwillcertainlybringitup

12(inaudible)thatissue.Thankyou.

13MR.MANNING:JerryLeeBogardisa

15cometothepodium,please.

16MR.BOGARD:Thankyouverymuchto

18yourindulgencetodayandyouhavebeenvery

19attentivewhichI'msureeveryonehere

21brief.

22I want to address an issue that concerns

23me. I am a licensed farmer in Arkansas. I also

24have business in Southeast Asia that are rice

25related in the last five years. Principally in

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1 Thailand, Vietnam and Malaysia (inaudible.) I
2 have an operation in the Western half of
3 (inaudible.)
4 So the issue I want to address today is how
5 when we go to the table and trade and you look at
6 Thailand, for example, we look at an import
7 situation that Thailand is exporting out in the
8 U.S. somewhere upwards of 450 thousand tons this
9 year of what will principally be (inaudible) and
10 Jasmine rice.
11 Now it's interesting to see the correlation
12 when we look at IMF dollar rise in their
13 exporting capabilities in the United States.
14 Having been inside their system and seen how it
15 works, I know they have many hidden subsidies.
16 The farming population as you know
17 represents considerably less than five percent of
18 our population. However, when you go into a
19 country like Thailand over 50 percent of the
20 population work directly with agriculture with
21 rice being a predominant factor in their system.

23fertilizer;they subsidizechemicals,both

24pesticideaswellasherbicideand(inaudible)

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1 So when we go to the table and we negotiate

3 every time we put an IMF dollar for which we

4 fund, we the United States fund a principle

6 subsidizing their production agricultural

7 systems.

9 through technological advances, which we have

10 also. I would cite to you their recent

12 this particular products so popular here in the

13 U.S., Jasmine rice.

15 over one million tons in 2002. They could not do

16 this without our indirect assistance in the

18 Now I'm not here trying to tell you that

19 you need to redirect our foreign policy through

21 that these are issues that are very sensitive and they

22directlyaffectourAmericanagriculture.

23Finalpoint,Thailandhasthehighest

24herbicidesresiduecontentintheirfoodproducts

25thananycountryintheworld.

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1 We don't make them test and produce a
2 certificate in a country where we are so health
3 conscious, and the average consumer is so aware
4 of what we, production agriculture, may or may
5 not use in terms of and (inaudible) in terms of
6 what we spray our grain products with.
7 I think it makes very little sense for us
8 to subsidize indirectly a system that exports
9 into our country large volumes of grain while we
10 have historically low prices today and do not
11 have to adhere to the same environmental
12 standards, whether it be phytosanitary conditions
13 or test for herbicidal residue or (inaudible)
14 residue in their products and have to label them.
15 Certainly on cigarette we have read the
16 label. I would say to you that any level of
17 herbicide residue that is as high as rated the
18 highest content in the world, it's something that
19 certainly should be a negotiating tool when we
20 look at cross trade.
21 When there are no facts (inaudible) taxes

22ordutiesandtariffsa very,verysmallamounts

24whenIsellthemaproductoverthere,Ihaveto

25pay27percent.

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1 So it makes little sense when we're dealing

3 population the vast majority of which work in

4 production agriculture and we represent such a

6 the issues.

7 We're not going to change the Asian culture

9 change, in my opinion, the European's

10 determination to seek out underdeveloping nations

12 However, we can be smart about how we cross

13 trade, what the lines should be in terms of the

15 much.

16 MR. SCHUMACHER: Very briefly, I

17 wasn't aware that on the issue of the chemical

18 residue?

20 MR. SCHUMACHER: How do you indicate

21 that that is just generally specifically Jasmine

22riceimportedinthecountry?

23MR.BOGARD:Iwasbeingspecificto

24rice.Letmetellyou,Iworkedinafieldstudy

25withtheDepartmentofAgricultureinThailandin

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1conjunctionwiththeRiceResearchInstitute
2beginningin1994runningthrough'97.
3Therewerenorestrictions--forexample,
4airbornesporesandairbornefungusarecommonin
5theU.S.calledblasts(phonetic).It'svery
6commoninthetropicalregionsofThailand.
7Jasminericeisoneofthemostsusceptible
8varietiesintheworldofblasts,okay?Weare
9restrictedtoaverysmallnumberofproducts
10thatwesprayonourriceforblasts,for
11protection,plantprotection.
12Wearealsorestrictedfromthetimingof
13thatbecauseoftheresidueandthefungicide
14withcanbeharmfulifappliedtotheirharvest.
15Itmaybemaybecarriedoveronthegrainfor
16consumption.
17Therearenorestrictions.I'veseenitin
18ThailandandVietnamboth.Ihaveseen them
19applytentimes.I'veseen themapplyitupto
20fivedaysbeforeharvesting,eventhoughthat
21madelittleornoeeconomicsense.

22My point is there are no restrictions.

23They're using heavy metals. The gentleman from

24Louisiana that referred to DDT? That's common.

25They have snails in Thailand and throughout

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1 Southeast Asia they're a big, big problem for
2 them. They're like the army worm in the U.S., so

4 The way they eradicate snails is with DDT.

5 Other pesticides that have been restricted for

7 there.

8 Now I'm not saying to you that we should go

10 any more because if it's economically feasible for

11 them to consume that in their domestic society,

13 But what I am saying to you is for them to

14 bring that same product here in the United

16 to increase the involvement for funding indirectly

17 we're giving them for production agriculture and

19 what it's been sprayed with or determine what the

20 levels of residue are is ludicrous.

22judge if we were to subject our customers herein

23the U.S. to that sort of a product. In fact, if

24we did that, our products would be quarantined

25and we would not be allowed to sell them and

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1 I would have to be disposed of in some sort of
2 incinerator.

3 So to bring mass quantities into this
4 country under those conditions and not be very
5 aware of that, you raise these sort of issues
6 further creates, quote, unquote an unlevel
7 playing field. I thank you very much.

8 MR. MANNING: I would like to thank
9 all of the presenters. You have stated your case
10 very clearly and have addressed the topics that
11 were under consideration and we're indebted to
12 you.

13 We're real so indebted to the panel for coming
14 today and to the Tennessee Department of
15 Agriculture for hosting this arrangement. Do we
16 have any closing remarks from the Department of
17 State?

18 MS. WINTON: Only to thank all of
19 the presenters for making their statements. I
20 took very careful notes and will bring back all
21 20 statements to the policymakers as we prepare

22forthenextround.Sothankyouall.

23MR.MANNING:TheU.S.Trade

25MS.CUMMINGS:Again,mythanksand

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2andbothforsubstanceandalsoforachangeof
3venueandIappreciatedtheopportunitytohear

5Ithoughttheywereallwellarticulated
6andofsubstanceandasAmysaid,wewilltakeit

8dialoguebackinWashingtonwhenyour
9representativescomethrough.Thankyouvery

11MR.MANNING:Andfromthe
12DepartmentofAgriculture,Mr.Schumacher,doyou

14MR.SCHUMACHER:Ithinkweshould
15giveEarl--he'sthedeanandhewasvery

17doingawonderfulfulljob.

18MR.MANNING:CommissionerWheeler,

20youhaveandpartingwordsfortheCommission.

21MR.LOUIS:Letmeassureyouthat

22I'mhereI'mnotgoingtotalklonginthe
23interestsoftime,butIdowanttosayalotof
24thankyous.Thankyouourstaff,JoeHanesand
25hisfolkswhohavedoneallthehardworktomake

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1 this happen.

2 Mr. Manning has been mentioned as the dean

3 of our journalism in this part of the world.

4 He's also a distinguished southern gentleman,

5 which we take very seriously down here.

6 I recall about a month ago being at a

7 political rally. A lot of us can relate to that

8 perhaps up here. The moderator had a calendar

9 saying something interesting about an elected

10 official followed by an elected official followed

11 by an elected official.

12 By the end of the day all that was left to

13 say was everything has been said but not

14 everybody has had a chance to say it. So that

15 was a good talking session.

16 I think today was a good listening session

17 and I appreciate our friends from Washington who

18 have come down to Tennessee to listen. That

19 doesn't happen that often.

20 I think today we had a lot of diverse

21 opinions, a lot of diverse economy, a lot of

22diverseagricultureandforestry.Hopefullyyou

23willtakebacksomestrongthemesandmessages

24andweappreciatethat.

25OurstatealotinTennesseehastwo

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1 prominent words on there, agriculture and
2 commerce. That made sense 200 years ago.

4 all the markets were down river. I guess in a
5 big world they're down river (inaudible).

7 of Addison, Tennessee, in Robertson County.
8 Folk that latch together (inaudible) in the back

10 in Memphis or made its way to New Orleans.
11 A lot of value has been added since then

13 now. Hopefully 200 years from now we're all
14 successful in our negotiations the successful,

16 So we appreciate your attendance and
17 patience, your willingness to participate. Have

19 (Session concluded at approximately
20 4:30 p.m.)

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4COUNTYOFSELBY:

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6Tennessee,CERTIFY:

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8asnoted;

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saidStenotypenotesthenandtheretaken;
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relatedtoanyofthepartiesortheirounsel,
12andIhavenointerestinthematterinvolved.

13WITNESSMYSIGNATURE,this,the____day

14of_____,1999.

15

16

17CATHYA.HASTINGS,CCR
CourtReporterand
18NotaryPublic***

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21Mycommissionexpires:

November 28, 1999
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